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Appendix A to the Research Directorate's Staff Study

History and Organization of the Accounting Profession in Ontario

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ACCOUNTING PROFESSION IN ONTARIO

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APPENDIX A TO THE RESEARCH DIRECTORATE'S

STAFF STUDY

HISTORY AND ORGANIZATION OF THE ACCOUNTING PROFESSION

IN ONTARIO

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N O T E

The information contained herein was prepared primarily to provide background for the work of the Professional Organizations Committee, and accordingly describes circumstances as of 1976 (unless otherwise indicated).

N O T E

Due to re-pagination of this Appendix, two references to it in the Staff Study, Professional Regulation, are now incorrect. They are as follows:

1. The reference to pp. 163 ff. herein (footnote 16 on page 295 of the Staff Study) should refer to pp. 160 ff.
2. The reference to pp. 155-166 herein (footnote 1 on page 297 of the Staff Study) should refer to pp. 154-164.

O. OVERVIEW

This Appendix presents a factual synopsis of the accounting profession in Ontario. The bulk of the material deals with the history, roles, powers and educational programmes of the statutory and voluntary bodies described below. It encompasses not only accountants in public practice but also those performing accounting functions in industry, government and commerce.

Public accounting in Ontario has been regulated since 1950 by The Public Accountancy Act. Individual practitioners and partnerships performing services in the areas of auditing, preparation of unaudited financial statements and issuing opinions on financial statements - what are referred to as the "attest" functions - are required to be licensed. Annual licences are granted by the Public Accountants Council, established under the Act. At the present time, licensing is effectively restricted to members of the qualifying body, the Institute of Chartered Accountants of Ontario (I.C.A.O.). The I.C.A.O. also has the majority of representatives on the Public Accountants Council.

A brief precis of the role of the different accounting bodies is given below.

0.1 The Accounting Bodies

The Public Accountants Council for the Province of Ontario was established as the licensing body under The Public Accountancy Act. The Council consists of fifteen members, twelve of whom are appointed by the I.C.A.O. and three of whom are elected by non-C.A. licensees. The Council grants licences, administers and enforces its rules of professional conduct for licensees and acts against individuals or firms practising public accounting in violation of the Act. The Council is not involved in accounting education or research. On April 30, 1976, there were 5,536

licensed public accountants in Ontario.

The Institute of Chartered Accountants of Ontario is named as the qualifying body in the Act. The oldest and largest of the associations of accountants, the Institute is the most prominent body in the field of public accounting.¹ All students in the I.C.A.O.'s educational programme are required to obtain practical experience in public accounting for a period of years prior to admission to membership. The Institute is actively involved in research and accounting standards through its national organization, the Canadian Institute of Chartered Accountants, and works with different levels of government in framing financial and tax legislation.

Before 1970, the Institute admitted as students individuals with high school diplomas. Since 1970, the qualifying requirement has been university graduation, with 45 semester hours of course work in accounting and related subjects. While registered as students, trainees are required to take professional training courses and to write a uniform final examination before becoming Chartered Accountants.

In addition to its activities related to accounting research and standards, the Institute administers a code of ethics and a disciplinary process, and offers a variety of services to members. The Canadian Institute of Chartered Accountants publishes CA Magazine.

Membership in the I.C.A.O. in 1975-1976 equalled 11,334 and 3,695 individuals were registered students of the Institute.

The Certified General Accountants Association of Ontario is a voluntary association of accountants working in government, industry and public practice. The association provides a training programme for its future members consisting of a five level correspondence and lecture programme leading to the designation of C.G.A. (Certified General Accountant). Students can enter the programme after high school and are required to

pass national examinations in each course and demonstrate specific work experience throughout.

The C.G.A.A.O. participates in research through its national association, and comments on pending legislation. A nationwide Code of Ethics has been approved and the Ontario Association administers its provisions and disciplines members. The C.G.A.A.O. was incorporated by Letters Patent in 1957. In 1976, there were 2,200 members and 6,100 undergraduate students.

The Society of Management Accountants² educates and certifies accountants who work as management accountants primarily in industry and government. No individual who holds only the R.I.A. designation is licensed to practise public accounting,³ although a number offer unlicensed accounting services to the public through accounting firms. Section 34 of The Public Accountancy Act specifically notes that the Act does not preclude a Registered Industrial Accountant, or any other person from practising as an industrial accountant and associating himself with financial statements in that capacity.

The Society was founded with the assistance of the I.C.A.O. to provide a voluntary association and training programme for individuals not in public practice. Students can enter the Society's education programme after high school and are required to complete 18 courses aggregated into five levels; examinations are national. Students are required to obtain practical experience in management accounting concurrent with course work. The Society monitors and approves each student's practical experience.

The Society offers a variety of services and publications to its members, as well as publishing research studies in the field of management accounting. Rules of professional conduct have been formalized and the provincial Societies are responsible for carrying out disciplinary proceedings.

In 1975, the Ontario membership stood at 3,809 and 7,300 students were enrolled in the Society's educational programme.

The Institute of Accredited Public Accountants combines the memberships of a number of voluntary associations of accountants. Eighty-five percent of the Institute's current membership is licensed to practise public accounting. Under the Supplementary Letters Patent granted the Institute in 1963, the membership was restricted to the licensees from that date forward. However, the Institute was not permitted to establish an education programme in Ontario and hence the number of Institute members, who are designated Accredited Public Accountants or A.P.A.'s, has been in decline since the early nineteen-sixties.

The Institute provides limited services for its membership and has a written code of ethics and rules of professional conduct. A disciplinary procedure exists but since most members are licensees, the Institute prefers to have the Public Accountants Council take action in the first instance. At the present time, there are 160 members of the Institute in Ontario.

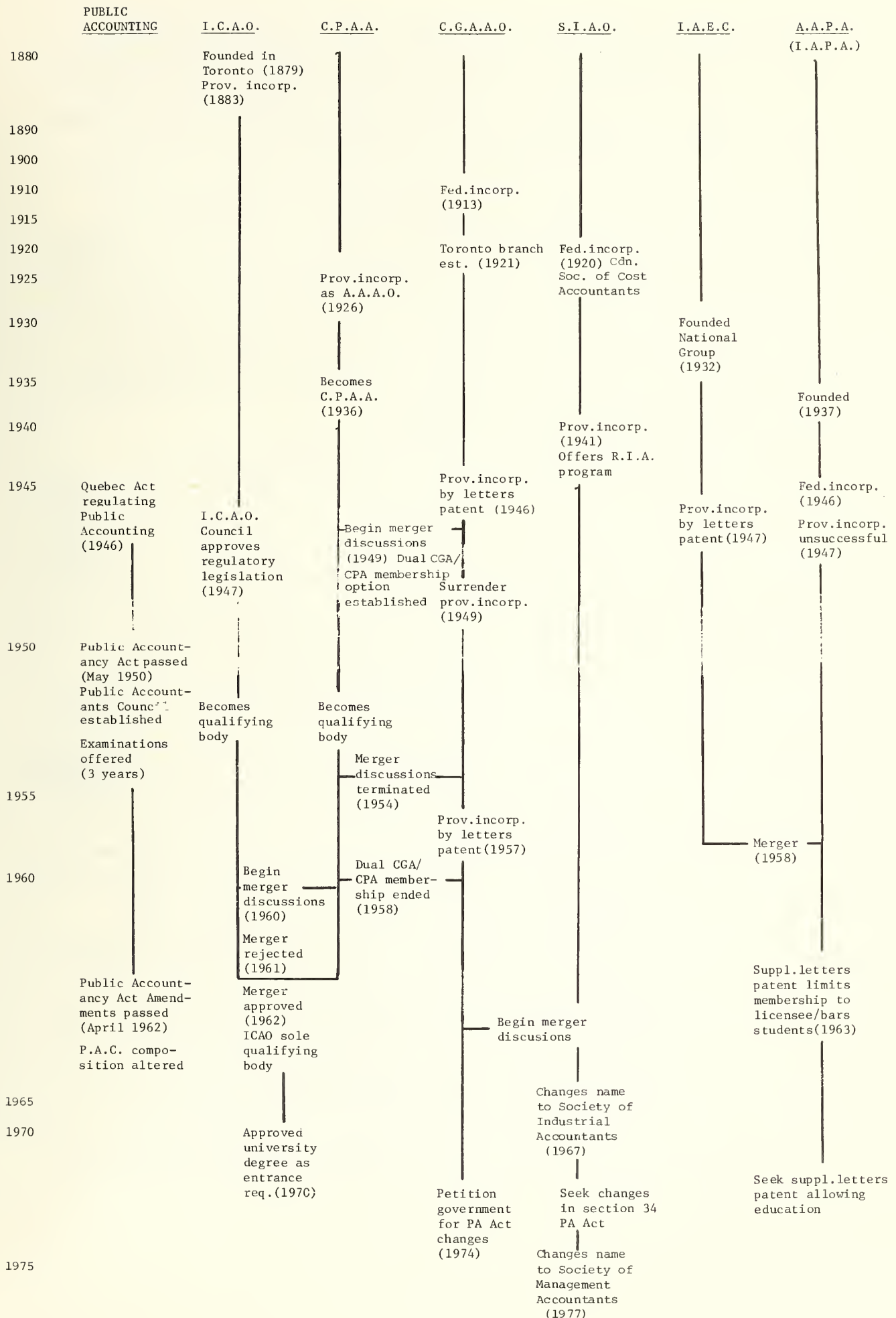
I. HISTORY

I.1 Pre 1950

The history of professional accounting associations in Ontario begins with the founding in Toronto in 1879 of the Institute of Chartered Accountants of Ontario. The I.C.A.O. was incorporated by Special Act of the Provincial Legislature in the session of 1882-3.⁴ From the beginning and throughout its history, the Institute has directed its educational efforts toward the development of individuals qualified particularly to practise public accountancy, with special emphasis on the independent

FIGURE 1.1

CHRONOLOGY OF ACCOUNTING IN ONTARIO



external auditor and reporting-accountant roles. The early history of the I.C.A.O. is documented in an article entitled "Three Score Years".⁵

A federal association of Certified General Accountants was incorporated in 1913.⁶ The founding members were accountants with the Canadian Pacific Railway who wished to form an association of bookkeepers and accountants for the purpose of studying and acquiring a greater knowledge of their work and improving their positions. The powers given the group included holding examinations and granting certificates of efficiency. In 1921, members in Ontario formed a Toronto branch of the Association. Branches in other Canadian cities followed.

In 1920, a small group of chartered accountants from across Canada got together to discuss the formation of a new organization to meet the needs of industrial accountants. It was recognized that the knowledge and skills required of the accountants serving management were quite different from those required of the accountant in public practice. This had given rise to the formation of the Institute of Cost and Works Accountants in the United Kingdom and the National Association of Cost Accountants in the United States. The Canadian Society of Cost Accountants was incorporated by federal charter in 1920 and one representative from each of the 8 provincial Institutes of Chartered Accountants comprised the sponsoring members. In the words of its first president, "The Society was formed to fulfil a need not otherwise met by the Institute". This has been the consistent policy of the Society to this day. Most of the charter members of the new organization were also chartered accountants. Meetings were held at the Institute's offices and at one meeting 56 C.A.'s were admitted to membership in the fledgling group. In 1922, the Society became affiliated with the National Association of

Cost Accountants (now the National Association of Accountants) in the U.S., but this arrangement was terminated in 1926.

In 1926, the Certified Public Accountants Association was formed. Provincially incorporated as The Association of Accountants and Auditors in Ontario, membership was open to potential students, members of other accounting bodies, and for the first three months after incorporation, accountants and/or auditors with 5 years' experience.⁷ The group granted the designation "licentiate in accountancy" or L.A.. In 1931, the designation was changed to "incorporated public accountant" or I.P.A.. In 1936, the group changed its name to Certified Public Accountants Association of Ontario and the designation was altered to "Certified Public Accountant" or C.P.A.. From 1937 on, the Association grew rapidly by absorbing many independent accountants, and sometimes members of other bodies en bloc.

Two other groups were formed in the 1930's. In 1932, the International Accountants and Executives Corporation was formed federally and in 1937 the Accredited Public Accountants Association came into existence. The latter group was incorporated under Dominion Charter in 1946. In 1941 the Society of Industrial and Cost Accountants of Ontario was provincially incorporated and began to offer the R.I.A. programme.

Also in 1946, the Certified General Accountants, who had been federally incorporated since 1913, obtained Ontario incorporation by letters patent. The incorporation, however, was limited and did not permit the Association to offer an education programme. In 1947, the International Accountants and Executives Corporation was incorporated in Ontario.⁸ In March of that year, the Ontario chapter of the I.A.P.A. applied for incorporation under a private bill but was not successful.

However, it continued to function and grow as an unincorporated organization under the charter of the National Institute.

The final year of the 1940's saw the beginning of merger negotiations between the C.G.A.'s and C.P.A.'s. The C.G.A. and C.P.A. organizations in Ontario began by establishing close ties. The provincial C.P.A. association had been incorporated by statute, whereas the C.G.A. group in Ontario were incorporated only under letters patent but had a strong national organization. By merging memberships, the groups hoped to build a strong organization capable of achieving incorporation by private bill in all provinces. Both groups accepted for training all students employed in accounting, not merely those engaged in public accounting. Merger talks between the C.G.A. and C.P.A. groups apparently proceeded well. In 1949, the C.G.A. Association surrendered its Ontario letters patent. At the same time, the C.P.A. Association admitted C.G.A.'s upon application, pending completion of the merger agreement. Similar arrangements were made in Manitoba when the C.P.A. Association was incorporated there in 1950. Concurrently, discussions were being held among professional accounting groups in the province regarding regulation of the public accounting field.

I.2 The Public Accountancy Act, 1950

The idea of a legislative act to control the public accounting profession in Ontario was conceived in 1947 following the passage of similar legislation in Quebec. Records of meetings preceding the framing of the Act are no longer available, but it appears to be generally agreed that the I.C.A.O. played the major role in the formulation of the regulatory legislation.

The legislation embodied the following principles:

1. That everyone who is presently practising as a public accountant in Ontario could continue to practise during his lifetime.
2. That there would be a Public Accountants Council which would be responsible for the issue and revocation of licenses.
3. That in future, only those who passed an examination satisfactory to that Council would receive licenses.

The Public Accountancy Act became law in May, 1950.⁹ The Act created the Public Accountants' Council, composed of 8 chartered accountants appointed by the Institute, 5 certified public accountants appointed by their Association and 2 "others" who were to be elected by all licensees other than C.A.'s or C.P.A.'s. For the first 2 year term, the latter 2 were appointed by the government, 1 member each from the Institute of Accredited Public Accountants and the International Accountants and Executives Corporation.

The Act provided for 2 qualifying bodies, the I.C.A.O. and the C.P.A. Association of Ontario.

Section 1(d) of the Act defined "public accountancy" as:

"The investigation or audit of accounting records or the preparation of or reporting on balance sheets, profit and loss accounts or other financial statements, but does not include bookkeeping or cost accounting or the installation of bookkeeping, business and cost systems;"

and Section 1(e) defined the "public accountant" as:

"A person who, alone or in partnership with others, carries on the practice of public accountancy and in connection with that practice offers his services for reward to members of the public, but does not include a person by reason of his practising public accountancy in respect of,

- i. any public authority or any commission, committee or emanation thereof, including a Crown Company,

- ii. any bank, loan or trust company,
- iii. any transportation company incorporated by Act of Parliament of Canada, or
- iv. any other publicly owned or publicly controlled public utility organization;"

Section 16 of the Act outlined the qualifications for licence and these were:

- "(a) That on the licensing date the applicant was a member of a qualifying body; or
- (b) That on the licensing date the applicant was carrying on the practice of public accountancy and in that connection maintained in Ontario, either alone or in partnership with others, a place of business at which his services as a public accountant could be engaged, and was of good repute and had been in practice as a public accountant for 1 year before the licensing date; or
- (c) That the applicant is a member of a qualifying body, having taken the regular courses and passed the final examinations of such a body or of a body recognized by it for purposes of affiliation; or
- (d) That the applicant has passed an examination deemed by the Council to be not less than equivalent to the intermediate examination of a qualifying body and has practised or been employed in public accountancy in Ontario for a period of not less than 3 years."

Section 16(2) of the Act provided for exemptions from the conditions listed above while Section 16(3) provided for licensees from other jurisdictions.

The important features of this first Act are those related to the definition of "public accountancy" and the access to the licence. The legislation was fairly broad in its approach to both of these problems. The functions licensed were defined to include not only auditing or

other "identified" association with financial statements, as a public practitioner, but also the preparation of such statements without identification of the practitioner. Since the definition was quite broad the standards required of individuals seeking a licence were relatively modest - completion of the equivalent of the intermediate examination of either the I.C.A.O. or the C.P.A. Association, without the requirement of the remaining two years of training as a student and the final examination. At the same time, grandfather provisions were made for lifetime licensing of individuals in practice who had been in practice at the time of the Act but had not necessarily met the newly prescribed training standard. Some 900 licenses were granted under this provision.

The Public Accountants Council offered examinations under Section 16(d) of the Act for 3 years. These exams were set, supervised and marked by the I.C.A.O.. After the examinations were dropped, access to the licence was effectively restricted to individuals applying under Section 16 (c), the training programmes offered by the qualifying bodies.

I.3 Developments During the 1950's

Shortly after the passage of the Act in 1950, a new group of accountants came into being. The Independent Public Accountants Association was composed only of licensees who were not members of either of the qualifying bodies. It quickly became the largest group, numerically, and was able to elect two of its members to the Council when the first election was held in 1952. As of April 30, 1952, the breakdown of licensees was: C.A.'s - 658; C.P.A.'s - 291; other - 858;

for a total of 1807 licensees. In 1951, the Certified Public Accountants Association obtained federal incorporation. Since one of the major reasons for merger discussions between the C.G.A. and C.P.A. Associations had been the C.G.A.'s federal structure, it is not surprising that by 1954, the merger between these two groups had lost some of its attractiveness and negotiations were broken off. The elected representatives of the C.G.A. decided to perpetuate the C.G.A. organization in Ontario, and to "go their own way" for the sake of their students. New C.G.A. branches were formed in Ontario in 1954, centred on Toronto and Ottawa. At the same time, representations were made to the Ontario Government, requesting that the C.G.A.A.O. be added as a qualifying body under the Public Accountancy Act, and the Public Accountants Council was advised of this action. According to the submission from the C.G.A.A.O.:

"The President of the Public Accountants Council then wrote to the C.G.A. Association, stating that a licence would be granted to any C.G.A. who made application under 'the appropriate section' of the Act. The appropriate section referred to was the section included by the legislature when the Act was introduced, to provide for licensing of persons who were not members of either qualifying body. The issue proceeded no further at that point."¹⁰

In 1957, the Ottawa and Toronto branches of the C.G.A.A.O. had developed to the point where application for incorporation of an Ontario C.G.A. Association once again seemed desirable.¹¹ The Association was granted incorporation by Letters Patent in August 1957 with the right to conduct educational programmes. Also in 1957, the Independent Public Accountants Association merged with the Institute of Accredited Public Accountants. Shortly thereafter, the International Accountants and Executives Corporation was taken over by the I.A.P.A., primarily to gain control of

the Ontario charter held by the Corporation. The combined group continued to exist in Ontario under the name of the former organization.

The history provided by the C.G.A.A.O. makes reference to a development that followed on the Ontario incorporation of the C.G.A. Association in 1957. It states that, at that time, the C.P.A. Code of Ethics included a rule (number 22) which read:

"No member shall become a member of or be associated with any Society or Association of accountants or auditors if membership therein by a member of this Association has been disapproved by the Board of Governors of the Certified Public Accountants Association of Ontario." 12

The C.G.A.A.O. submission states that this rule was invoked to apply to membership in the C.G.A. Association by resolution of the C.P.A. board in January, 1958. All members who had taken up dual C.G.A./C.P.A. membership in 1949 were affected by this resolution. The majority of affected members opted to retain their C.P.A. membership and dropped their C.G.A. affiliation. The result was a sharp drop in the number of Ontario C.G.A.'s. In light of this development, and in order to ensure C.G.A.'s continued access to the licence, the C.G.A. Association, in 1961, wrote to the Premier to seek the status of a qualifying body under the Act. However, discussions were already beginning at this time to seek changes in the structure of the Act and hence the C.G.A. Association's petition was not acted upon.

I.4 The 1962 Amendments

The C.A.'s and C.P.A.'s began their merger discussions in the fall of 1960. A letter from the President of the I.C.A.O. to the membership (dated December 20, 1960) stated the merger proposal worked

out between the Institute Council and the Board of Governors of the C.P.A. Association. The points of the proposal were that:

- (1) Membership of the merged group - all members of the C.P.A. Association of Ontario as of the date of the merger shall be admitted to membership in The Institute of Chartered Accountants.
- (2) The Ontario C.P.A. designation shall be given up and the rights to it reserved to the merged body.
- (3) The merged body shall be known as "The Institute of Chartered Accountants of Ontario".
- (4) Educational requirements for admission - The Association recognizes and accepts that the Council of the Institute has approved in principle the requirement that, by 1970 at the latest, university graduation should be the minimum entrance standard for students-in-accounts.
- (5) Licensees under The Public Accountancy Act other than members or students of the qualifying bodies should be permitted to write the final examinations of the Institute, if they wish, and be eligible to apply for membership in the Institute, if successful.
- (6) All students of the Association of C.P.A.'s of Ontario at the date of the merger will have the right to continue their studies and type of experience, the qualification earned on satisfactory completion of their studies, experience and examinations being "Chartered Accountant".
- (7) Provision of accounting education and designations after the merger, for new students not in public practice:
 - (a) The Institute will, after the merger, accept as students, suitably qualified persons who concurrently secure experience such as is presently satisfactory to the C.P.A. Association, under the supervision of a member of the Institute. Such students on fulfilling the study, length of experience and examination requirements of the Institute, will receive a separate designation, such a "A.C.A.". These students, upon graduation as members of the Institute will not be eligible for public accounting licenses without some minimum period of practical public accounting experience, upon completion of which they shall be entitled to the designation "C.A.".
 - (b) The Council of the merged body will study the necessity of continuing to provide facilities for the training of accountants in industry.

- (8) C.P.A. groups in other provinces - The Institute recognizes the problem faced by the C.P.A. groups outside of Ontario and agrees to make the Chartered Accountant Institutes in the provinces concerned aware of the formula which is adopted in Ontario. Further, the Institute agrees to bring such influence as it can to bear on the provincial C.A. Institutes concerned, in the hope that negotiations between the C.A.'s and C.P.A.'s, or R.P.A.'s, in those provinces will be undertaken.
- (9) Council of the Institute. Initially the Council of the merged organization shall consist of the 20 members of the Institute Council and the 15 members of the Association's Board, as of the date of the merger. The combined Council is to determine its own eventual make-up and whether any ratio of practising to non-practising members sitting on the Council, is to be established.

The two bodies also agreed on one other policy matter, namely:

Other Accounting Bodies -

An application by any other accounting organization to the Legislature for recognition as an additional qualifying body under The Public Accountancy Act should be vigorously opposed. The merger of the Institute and the C.P.A. Association will provide a single qualifying body in the public accounting field.¹³

The merger was not without opposition. Within the ranks, F.T. Sudbury was President of the C.P.A. Association in 1961. He was one of four C.P.A. governors who opposed the terms of the C.A./C.P.A. merger, primarily because of the proposed action on C.P.A. students not training in public accounting.

Quoting from his minority report to the C.P.A. membership:

".... The major distinction between the two organizations has been the (C.P.A.) Association's acceptance of students in selected positions in accounting or auditing, employed in industry and government, (as well as in public accounting) whereas the Institute has insisted upon experience in public accounting.

This, the undersigned feel, to be the principle which justified the creation and continuation of the (C.P.A.) Association.

From the start of negotiations it was recognized by the Institute that the "open door policy" of the Association as to experience qualifications was of such importance that the merger offer was practical only if this was provided. It was on that basis that the board voted

unanimously to approve the original offer in principle, and to put it before the members.

The revised clause 7 on which you are now asked to express your opinion, is in the opinion of the signers of this letter, a complete reversal of the principles on which the C.P.A. is based and leaves future students in industry or government in the position of having no designation or professional status comparable with the C.P.A. available to them for many years.

While it is true that existing members and students are fully protected (and would receive a C.A. designation) the designation "C.P.A." will thereafter disappear in Ontario, and the only recourse would be to less recognized courses, which, no matter how strengthened, will not have the professional standing that "C.P.A." now enjoys, or give the right to graduates to go into practice without further qualifications beyond a minimum experience requirement.

We firmly believe that industry and government will suffer if the promotability of future enterprising students is affected by their inability to obtain top professional standing, and this denial of opportunity is, in our opinion, not in the best interests of the public at large."

Throughout the winter of 1961, the different accounting associations discussed the merger proposals. The controversial proposal #7 was modified. Under the modified proposal, the I.C.A.O. would accept one year's intake of new students on the same basis as C.P.A. students and arrangements would be made before September 30, 1962 with an existing accounting body to provide a course at least equal to the then existing C.P.A. course for students training outside public accounting.

In March, the I.C.A.O. polled its members on the merger plans. Sixty-two percent indicated that they were in favour of a merger of the two groups. However, at a meeting of the membership in April, the merger plan was voted down 475 to 422.

Between April 1961, and April 1962, the two bodies continued to hold discussions although the focus seemed to have shifted from a straight merger to a combination of merger and amendments to the Public

Accountancy Act; a merger following successful passage of the Act.

The Act to amend the Public Accountancy Act was introduced in the legislature on April 11, 1962 and given first reading. John Robarts, the Premier of Ontario at the time, introduced the bill with the following statement:

"The purposes of this Bill are: first to clarify the meaning of the term 'public accountant'; secondly to make the changes in the present Act made necessary by the proposed union of the Institute and the Association; third, to limit licences to members of the qualifying body, to members of the Certified General Accountants Association of Ontario and to those who have been licensed as public accountants in the past."

Before the introduction of the Bill and during its consideration by the Legislature, the C.G.A. Association pressed strongly for changes in the draft Bill.

Following a debate on the Bill in the Legislature, it was referred to the Committee on Education for hearings on April 16, 1962. A compromise was worked out by the four affected accounting associations and documented in a letter to the Chairman of the Committee on Education, John White.

The Bill was given third reading and Royal Assent on April 18, 1962. The major changes were those dealing with the qualifying bodies under the Act, the access to the public accountants licence, the definition of public accounting, and the composition of the Public Accountants Council. In point form, the 1962 amendments:

1. Made the I.C.A.O. the sole qualifying body under the Act.
2. Restricted the licence to members of the qualifying body, or individuals already licensed, or members of the Certified General Accountants Association of Ontario,
 - (i) who had taken the course of instruction and passed the final examination of that Association, and
 - (ii) who had had at least three years' experience in public

accountancy in Ontario, and

- (iii) who were on the first day of April, 1962 a member or student of the Association.
- 3. Changed the working of the definition of "public accountant" to place greater emphasis upon the adding of credibility to financial documents.
- 4. Recomposed the Public Accountants' Council to consist of 12 members appointed by the Council of the I.C.A.O. and 3 elected members who are not members of the qualifying body.

In addition, the compromise agreement worked out among the associations provided that the C.G.A.A.O. and the Society of Industrial and Cost Accountants would undertake discussions with the object of developing one strong group in the non-practising field to provide education to those who require it in that field. These discussions began subsequent to the passage of the Act.

I.5 Developments Since 1962

The Public Accountancy Act has not been altered or amended since the 1962 changes. Developments in the accounting field continued, however. Perhaps the major development occurred in 1970 when the I.C.A.O. made a university degree the prerequisite for entrance into its training programme. Other developments relate primarily to the names and structures of other accounting bodies.

Since 1960, the International Accountants and Executive Corporation had sought Supplementary Letters Patent to change its name to the Institute of Accredited Public Accountants or A.P.A.. This change was vigorously opposed by the Public Accountants Council and by C.A.'s and C.P.A.'s who were concerned about the confusion in the public mind over the use of the A.P.A. designation. Supplementary Letters Patent were obtained in 1963 but restricted membership of the I.A.P.A. henceforth to

licensees and denied educational privileges to the group.

In 1965, the Public Accountants Council concluded that The Public Accountancy Act needed revision. However, the appointed members of the Council and the elected members could not reach agreement on the nature of the revisions. The latter advocated that the education and qualification of public accountants be placed in the hands of the Council. The failure to reach unanimity on revisions stymied further action and in 1967 the Council temporarily abandoned its quest for changes in the Act.

Also in 1967, the I.A.P.A. made a submission to the McRuer Royal Commission on Civil Rights, charging that they were being denied the right to qualify individuals for the public accountant's licence.

The Society of Industrial Accountants also underwent some changes in this period. In 1967, the Society dropped the word "cost" from its name. In 1971, it was given the power to grant the post graduate designation "Fellow of the Society of Industrial Accountants". In 1972, the S.I.A. and the C.G.A. resumed merger talks which had been going on intermittently since the 1962 amendments. In 1977, it became the Society of Management Accountants.

I.6 The Current Situation

The 1962 amendments effectively restricted access to the public accountant's licence to members of the qualifying body and to C.G.A. members and students as of April 1, 1962. Section 14(2) of the Act, which allows the Public Accountants Council to exempt individuals from the qualifications stated in Section 14(1) of the Act has rarely been applied.

The Board of Governors of the C.G.A.A.O. submitted a petition to the Ontario Government in December of 1974 seeking changes in The Public Accountancy Act.¹⁴ The petition requested that the composition of the Public Accountants Council be changed and that Section 3 of The Public Accountancy Act be amended to read:

"3(1) The Council shall consist of 21 members:

- (a) 12 of whom shall be appointed by the Council of the Institute of Chartered Accountants of Ontario;
- (b) 3 of whom shall be elected in the prescribed manner by vote of the persons who are licensed under this Act but who are not members of the Institute of Chartered Accountants of Ontario;
- (c) 1 of whom shall be appointed by each of: the Certified General Accountants Association of Ontario; the Society of Industrial Accountants of Ontario; the Institute of Accredited Public Accountants of Ontario;
- (d) 3 of whom shall be appointed by the Ministry of the Attorney General."

The petition also requested, that the number of qualifying bodies be increased to 4 and include the C.G.A.A.O., the S.I.A.O, and the I.A.P.A. as well as the I.C.A.O..¹⁵ Licenses would then be available to members of these bodies if they had had at least 3 years' experience in public accountancy in Canada. The petition also requested designation of Ministerial responsibility for the Act, as well as changed in the disciplinary procedure available under the Act. In support of its petition, the C.G.A.A.O. quoted extensively from the Report of the Royal Commission on Civil Rights¹⁶ and the Report of the Commission on Post-Secondary Education,¹⁷ arguing that C.G.A.'s who are fully qualified and wish to establish themselves as licensed public accountants in Ontario have been denied licences by the Public Accountants Council. The petition

stated that:

"The powers extended to the Public Accountants Council by Provincial Legislation evolved a monopoly that does not recognize accountancy competence other than in members of the Institute of Chartered Accountants. There is no question in Canadian accountancy circles regarding the quality and efficiency of the three training bodies. However, the freedom of individuals who choose to train as C.G.A.'s or R.I.A.'s is greatly restricted."¹⁸

The Association concluded that:

1. In the area of public accounting, provincial legislation does not fully recognize the competence of C.G.A.'s engaged in this activity.
2. The powers provided to the Institute of Chartered Accountants through the Public Accountants Council, to license, regulate and state who is competent to engage in public practice result in monopolistic control over public accounting in Ontario.
3. The Public Accountants Council is not representative of the accountancy profession in Ontario.
4. The changes that have occurred in Ontario, in the 60's and 70's, have encouraged this Association to provide qualified professionals in a manner fully consistent with government policy. At the same time, the government, by its failure to up-date licensing criteria, has appeared to condone a situation which deprives some Association members of career opportunities in public accounting.
5. The Association does not wish to see formal education, no matter how excellent, replace or reduce the requirements of practical experience as a pre-requisite for licensing in the public accounting field. Public protection dictates the need for balance between formal education and practical experience.
6. Royal Commissions have pointed out the deficiencies in the law which inhibit certified general accountants in Ontario but the government has not yet indicated any willingness to respond.

In September, 1975, the I.C.A.O. submitted a lengthy rebuttal to the C.G.A. petition. Entitled Comment on Petition of C.G.A. Association to Government, Respecting the Public Accountancy Act, this 60 page paper and covering letter set out the Institute's opposition to the C.G.A.A.O.'s proposed changes. The I.C.A.O. indicated that it was most strongly opposed to the recommendation which would establish multiple qualifying

bodies. Arguing that the adoption of multiple qualifying standards would lead to the lowest of those standards becoming the effective standard, the I.C.A.O. stated:

"... That the present arrangements in this licensed field are sound and should not be disturbed. Specifically:

1. The need for public protection exists and is recognized;
2. There is, in common with other licensed professional fields, a single qualifying standard specified in the P.A. Act;
3. The qualifying standard for licensing (C.A. membership) is a reasonable one, entirely appropriate to the degree of need for public protection;
4. Not only is the C.A. standard reasonable in relation to the need for protection, but there is reasonable access to C.A. membership (and thus to licensing) for anyone who has ambitions to become licensed."

The I.C.A.O. also indicated opposition to changes in the composition in the Public Accountants Council, with the exception of the addition of lay appointees.

The appointed members of the Public Accountants Council (i.e. C.A.'s) responded to the C.G.A. petition along lines similar to that of the Institute. They stated:

"We consider that the present standards of knowledge and experience required of an applicant for licence are adequate and realistic; we oppose any measures which would result in the lowering of these standards. We believe the granting of the above petition would have the result of lowering these standards because of the differences in academic and experience requirements of the proposed additional qualifying bodies"¹⁹

However, the 3 elected representatives (i.e., non-C.A.'s) on the Public Accountants' Council dissented from the majority and submitted their own minority report.

They stated:

"It is our opinion, arrived at after many years of experience on the Council, that entry into the profession of public accountancy in Ontario is being withheld from applicants with ample qualifications (and from qualified persons who have never become applicants by reason of arbitrary disqualification) by the abuse of power by those members of the Council who are appointed by the Institute of Chartered Accountants of Ontario."20

The minority report further stated that:

"We are in sympathy with the C.G.A. Association's petition insofar as it concerns members of the Association who, possessing adequate public accounting experience, have been denied licences during the life of the Public Accountancy Act. There have been many such applicants (nearly 100 in the past 13 years) the majority of whom we believe to have been unjustly deprived of licences. Most of these applicants have had practical experience in the public accounting field far in excess of that possessed by present day C.A. graduates just entering the Institute. It is our opinion that the C.G.A. Association should, long ago, have given more support to these applicants."21

But the minority report did not concur with the C.G.A.A.O.'s recommendation that 4 qualifying bodies be established under The Public Accountancy Act. The elected members maintained that as long as the I.C.A.O. controls the Council, the creation of 4 qualifying bodies will not solve the existing problems of access to the licence. On the other hand, the elected members did not hold the view that implementation of the C.G.A. recommendation would have any serious effect on licensing standards. The minority report ended with a set of alternative recommendations for changes in the Act, by which all licensed public accountants would be merged into one body under the sole control of the Public Accountants Council. The Council would then be reconstituted to redistribute the representation of licensees who are members of the Institute of Chartered Accountants, non-I.C.A.O. members, and lay representatives.

In March 1976, the C.G.A. Association submitted a supplemental brief to the Attorney General.²² This supplemental brief is in the form of a rebuttal to the I.C.A.O. comment. In it, the Association stated that:

"...The Public Accountancy Act, in its present form, does not ensure that all qualified public accountants in this province have reasonable access to licensing. We also intend to produce evidence to support our claim that the powers of the Public Accountants Council are being abused to deny the civil rights of citizens by attempts to control activities which are not subject to the licensing legislation."

The supplemental petition included a description of the C.G.A. education programme as well as a case history of one C.G.A.'s attempt to obtain a licence under Section 14(2) of the Act.

Finally, one other current development is worth noting. The Institute of Accredited Public Accountants is again seeking Supplementary Letters Patent permitting it to give an educational programme to its members and students.

II ROLES, POWERS AND STRUCTURE OF PROFESSIONAL ORGANIZATIONS

II.1 The Public Accountants Council for the Province of Ontario

II.1.1 Role and Powers

The Public Accountants Council for the Province of Ontario was established in 1950 by Act of the Legislature of Ontario. The Public Accountancy Act which created the Council also lists its functions in Section 7:

"It is the duty of the Council to administer the provisions of this Act and in particular, but without limiting the generality of the foregoing, the functions of the Council include:

- (a) the grant or refusal of licences in accordance with this Act;

- (b) the maintenance and, if thought fit, the publication of a roll of the persons of the time being licensed under this Act;
- (c) the prescription of the fees payable on the grant or renewal of licences under this Act;
- (d) the maintenance and improvement of the status and standards of professional qualifications of public accountants practising as such in Ontario;
- (e) the consideration of matters of common interest and concern to public accountants, and the submission of representations to any government department or public authority with reference to any such matters;
- (f) the provision of scholarships for students in public accountancy and of maintenance grants for such students whose means appear to the Council to be insufficient to enable them to pursue their studies;
- (g) the conduct and encouragement, whether by means of financial assistance or otherwise, of research in accountancy;
- (h) the exercise of the disciplinary powers conferred by this Act; and
- (i) the prosecution of offences under this Act."

Section 31 of the Act empowers the Council to make regulations:

"31(1) Subject to the provisions of this Act, the Council shall or may, as the case may be, prescribe by regulation anything that is by this Act required or authorized to be prescribed and may make such further provisions as may seem to the Council necessary or desirable for carrying out or facilitating any of the purposes of this Act."

Section 31(3) provides for annulment of any regulation by the Lieutenant Governor in Council. The regulations issued by the Council under the provisions of Section 31(1) have covered the following areas:

1. Manner of election of members of the Public Accountants Council.
2. Fees payable on the grant or renewal of a licence.
3. Notice of meetings of Council.
4. Notice of resolution.

5. Expiry of licence.
6. Practice by non-residents of Ontario.
7. Forms.
8. Rules of professional conduct.²³

The major functions of the Council, from among those listed in Section 7 of the Act, are the grant or refusal of licences and the exercise of disciplinary powers. Council also from time to time makes submission on matters affecting public accountants. For example, the Council prepared a submission on the petition of the C.G.A. Association. In that particular case, there were two submissions, one by the appointed members of the Council and another²⁴, a dissenting report, by the elected members of the Council.²⁵ The legislation committee of the Council has recently completed a draft of proposed changes and revisions to The Public Accountancy Act.

The granting of licences is the major function carried out by the Council. It maintains a roll of licensees, and compiles statistical information on the number of licensees broken down by designation, and type of employment. (Table II.1, p. 61 and Table II.2, p.62). Qualifications for licence are discussed in Section III.5. The Council is empowered to revoke a licence under Section 18 of The Public Accountancy Act. The conditions under which an individual may have his licence revoked are:

- "18(1) If a person licensed under this Act,
- (a) has been convicted of a criminal offence;
 - (b) becomes of unsound mind;

TABLE II.1

SUMMARY OF LICENSEES

for the years ended April 30th, 1951 to 1976 inclusive

	C.A.	C.P.A.	Other	Total	Annual Increase or Decrease
1951	613	295	814	1,722	
1952	658	291	858	1,807	85
1953	740	302	881	1,923	116
1954	842	305	889	2,036	113
1955	1,005	323	869	2,197	161
1956	1,123	323	867	2,313	116
1957	1,211	378	856	2,445	132
1958	1,304	427	832	2,563	118
1959	1,421	463	829	2,713	150
1960	1,468	518	799	2,785	72
1961	1,647	600	797	3,044	259
1962	1,767	659	830	3,256	212
1963	2,533	-	802	3,335	79
1964	2,535	-	795	3,330	-5
1965	2,610	-	764	3,374	44
1966	2,723	-	740	3,463	89
1967	2,920	-	722	3,642	179
1968	3,116	-	703	3,819	177
1969	3,215	-	688	3,903	84
1970	3,355	-	660	4,015	112
1971	3,526	-	629	4,155	140
1972	3,749	-	605	4,354	199
1973	3,956	-	583	4,539	185
1974	4,217	-	565	4,782	243
1975	4,586	-	540	5,126	344
1976	5,011	-	525	5,536	410

TABLE II.2 LICENSEES BY TYPE OF EMPLOYMENT

Summary of Licensees as of April 30th, 1975 and 1976
(1975 figures shown in brackets)

	<u>S.P.</u>	<u>P.</u>	<u>E.</u>	<u>P.T.P.</u>	<u>O.</u>	<u>TOTAL</u>
<u>C.A.'S</u>	703 (675)	2045 (1915)	800 (669)	1095 (972)	368 (355)	5011 (4586)
<u>C.G.A.'S</u>	21 (21)	5 (4)	9 (11)	29 (26)	10 (13)	74 (75)
<u>OTHERS</u>	229 (238)	27 (26)	17 (19)	142 (145)	36 (37)	451 (465)
<hr/>						
<u>TOTALS</u>	953 (934)	2077 (1945)	826 (699)	1266 (1143)	414 (405)	5536 (5126)

.....

S.P.	-	Sole Proprietor
P.	-	Partner
E.	-	Employee
P.T.P.	-	Part-time practitioner
O.	-	Other

- (c) has been adjudged bankrupt or has made arrangement with his creditors; or
- (d) has been found on enquiry held by the Council to be guilty of conduct disgraceful to him in his capacity as a public accountant, the Council may, subject to the provisions of this section, revoke his licence."

The other main functions of the Council, those of the exercise of disciplinary and "policing" powers conferred by the Act are covered in detail in Section IV on Codes of Ethics and Disciplinary Procedure. Briefly, the Council is empowered under Section 18 of The Public Accountants Act to exercise disciplinary powers against licensees. It may also act against individuals practising public accounting without a licence. In the latter case, the Council can lay charges and on summary conviction the courts will fine the individual a predetermine amount. Charges may also be laid by a member of the public swearing an information as in the case of most other provincial penal statutes. The prohibitions against practising public accounting without a licence are set out in Section 24 of the Act.

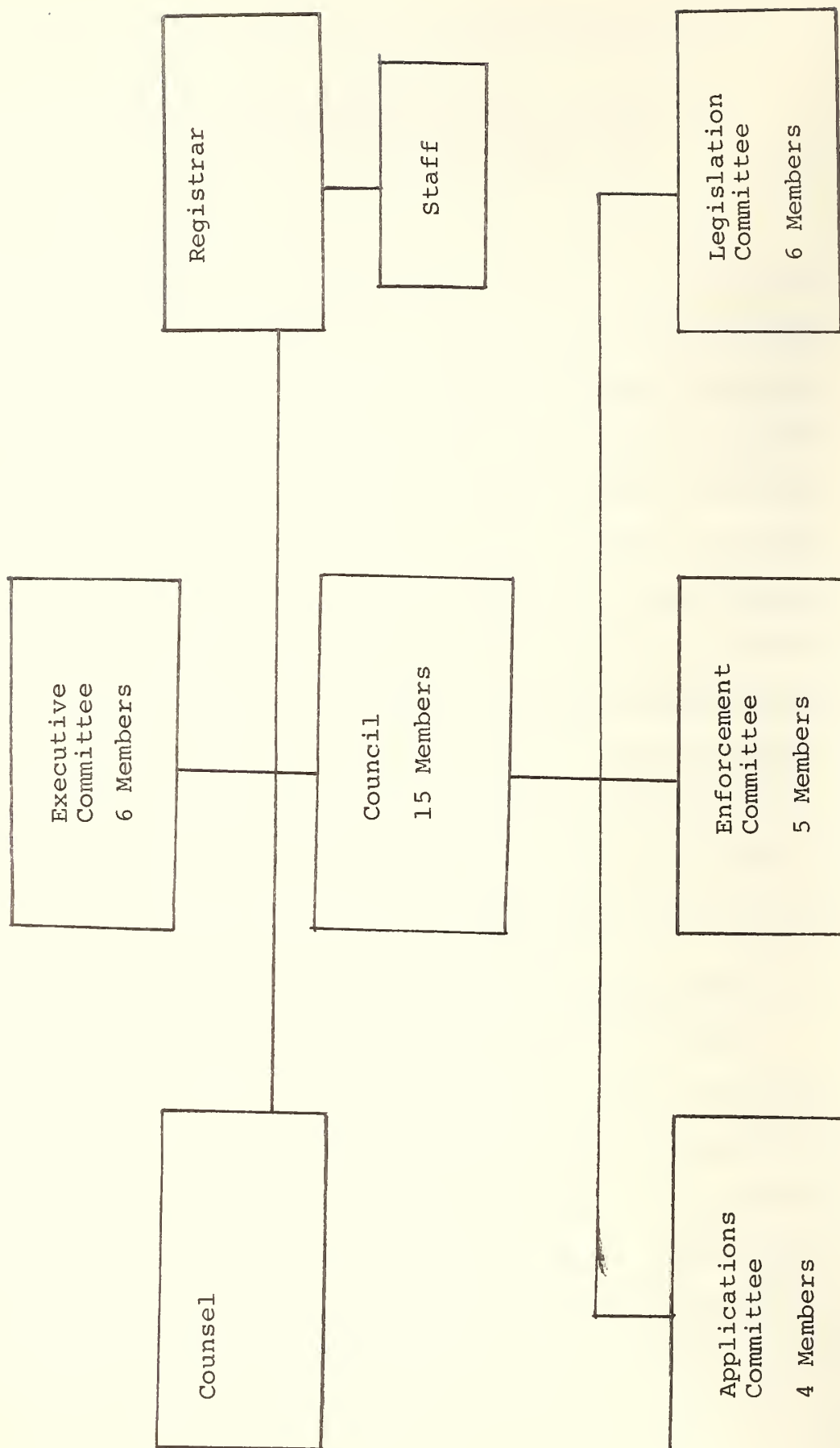
Subsection 2 of Section 24 grants permission for non-residents to practise public accounting and Regulation 6 elaborates on the conditions under which non-residents may practise.

II.1.2 Organization

Figure II.1 (page 30), shows an organization chart of the Public Accountants Council. This chart has been derived from information given in the annual reports of the Council and is not an official chart published by the Council. The main body of the Public Accountants Council is the Council itself. It consists of 15 members, 12 of whom are appointed by the governing Council of the Institute of Chartered Accountants of Ontario and 3 of whom are elected by individuals licensed under the Act who are

FIGURE II.1.

ORGANIZATION OF THE PUBLIC ACCOUNTANTS
COUNCIL OF THE PROVINCE OF
ONTARIO



not members of the I.C.A.O.. [Section 3(1) of the Act]. All individuals appointed or elected to the Council must hold licences under the Act. The Council is required to meet at least once in every 3 month period to consider and act on applications for licence. The officers of the Council consist of a President, Vice President, Secretary, Treasurer, and a Past President. They are elected from among the members of the Council.

Section 10(5) of The Public Accountancy Act empowers the Council to appoint a registrar who need not be a member of the Council. A registrar has been appointed on a full-time basis. Section 12(1) of the Act empowers the Council to appoint Committees from among its members. There are at the present time 4 standing committees of Council, an Executive Committee consisting of the 6 officers of the Council; an Applications Committee which reviews license applications; an Enforcement Committee consisting of 5 members which deals with complaints against licensees and non-licensees; and a Legislation Committee consisting of 6 members which considers changes to The Public Accountancy Act and the Code of Professional Ethics.

II.1.3 Election and Appointment of Council

The 12 appointed members of the Public Accountants Council are chosen by the governing council of the I.C.A.O.. In practice, these tend to be senior members or fellows of the Institute chosen to represent a geographical cross-section of C.A.'s licensed for public practice.

The 3 elected members of the Council represent licensees under the Act who are not members of the qualifying body. The regulations issued by the Public Accountants Council pertaining to the manner of

election to the Council state:

1. Manner of Election of Members of the Public Accountants Council for the Province of Ontario by vote of the persons who are licensed under The Public Accountancy Act but who are not members of the Qualifying Body.
 - (1) Any person who is the holder of a licence under the Act and not a member of the qualifying body may, upon giving written consent, be nominated for election in writing by any two persons who are licensed under the Act and are not members of the qualifying body.
 - (2) The nominations for regular biennial elections shall be lodged with the secretary on or before March 1st in the year of the election.
 - (3) The nominations for any other election shall be lodged with the secretary within 30 days of the date the election becomes necessary.
 - (4) A ballot paper shall be prepared setting forth the number to be elected and persons so nominated and shall be sent by prepaid mail within one month of the close of nominations to all persons licensed under the Act who are not members of the qualifying body. The ballot paper shall be drawn in such form that it may be sealed after being marked, leaving exposed the signature of the licensee marking the same, which signature shall be detached before the ballot is opened.
 - (5) The ballots shall be returned to the secretary by mail in envelopes supplied for the purpose and to be valid must bear postal marking within 14 days of mailing of the ballot by the Council.
 - (6) A ballot shall be invalid if the licensee completing the same shall vote for more than the number to be elected.
 - (7) Not later than 10 days after the date for the return of the ballots, they shall be counted by the secretary or, failing him, the registrar, in the presence of two scrutineers nominated by the Council who shall certify in writing the election of the persons receiving the largest number of votes.
 - (8) In the event of a tie vote, the election shall be determined by lot in a manner to be decided by the secretary and the two scrutineers, or failing the secretary, the registrar and the two scrutineers.
 - (9) In the event of the number of nominations not exceeding the number to be elected, the secretary shall cast a single ballot and the registrar shall certify the election of the nominees.

At the present time, 3 members of the Institute of Accredited Public Accountants are the elected Council members on the Public Accountants

Council. They represent 525 "other" licensees. This "other" category can in turn be broken down as C.G.A.'s who are licensed, licensed members of the I.A.P.A. and licensed accountants who are not members of any professional association.²⁶ Table II.2 (page 28) shows the breakdown between C.G.A. licensees and "others". Of the 525 "others" licensees, approximately 125 are members of the I.A.P.A.. Two of the elected members to the Public Accountants Council are also officers of the Institute of Accredited Public Accountants.

The term of office of members of Council is 2 years from the date of appointment of election and each member is eligible for re-appointment or re-election. The officers of the Public Accountants Council are elected from among the members of the Council, the election taking place annually at the first ordinary meeting of the Council in each financial year. Officers continue to office for a term of 1 year.

Voting at meetings of the Council is by show of hands and a simple majority of votes of members present is required for most resolutions. However, The Public Accountancy Act requires that no resolution of the Council relating to,

"(a) any of the functions of the Council referred to in clause (h) or (i) of Section 7; [the exercise of the disciplinary powers and the prosecution of offences].

(b) the making of regulations under Section 31.

(c) the revocation or non-renewal of a licence granted under the Act; or

(d) the granting of an exemption to any person pursuant to sub-section 2 of Section 14 from any of the conditions of Section 14; or the approval of conditions subject to which such exemptions shall be granted."

is valid unless approved by the votes of at least 3/4 of the members of the Council present and voting thereon.²⁷

II.1.4 Provisions for Governmental Review

The only explicit provision for governmental review in The Public Accountancy Act is found in Section 31, paragraph 3, which states:

"The Lieutenant Governor in Council may annul any regulation made by the Council under this Act."

Responsibility for The Public Accountancy Act has rested with a number of government ministries. After its passage in 1950, the Act was the responsibility of the Ministry of the Attorney General. Subsequently, responsibility for the Act was transferred to the Ministry for Financial and Commercial Affairs (now Consumer and Commercial Relations), but more recently, responsibility reverted to the Attorney General's office.

II.1.5 Other Functions

Section 7 of the Act states that:

"... the functions of the Council include,

- (d) the maintenance and improvement of the status and standards of professional qualifications of public accountants practicing as such in Ontario;
- (f) the provision of scholarships for students in public accountancy and of maintenance grants for such students whose means appear to the Council to be insufficient to enable them to pursue thier studies;
- (g) the conduct and encouragement, whether by means of financial assistance or otherwise, of research in accountancy."

The Public Accountants Council has, in fact, not been active in any of these areas. These functions have remained with the professional bodies; most notably the I.C.A.O..

In the area of maintenance and improvement of status and standards of professional qualifications, the Council was permitted to hold examinations prior to the 1962 revision of The Public Accountancy Act. In

the three years that the Council did offer examinations, these were set, supervised and marked by the I.C.A.O..

The Public Accountants Council has not been involved in scholarships or financial aid to students in public accountancy. A proposal that the Council offer scholarships and financial grants to students was made in the early 1960's but not approved by Council.

Finally, the Public Accountants Council is charged with the conduct and encouragement of research in accountancy. It has not conducted nor provided financial assistance for research although other encouragement may have been provided. At the present time, the Canadian Institute of Chartered Accountants is the pre-eminent research group in public accounting in Canada.

The licence fees levied under the Act have varied over the years. The fee levels and the years for which they applied are:

Year ending April 30, 1951	\$20.00
Year ending April 30, 1952	\$15.00
Year ending April 30, 1953 to 1969	\$10.00
Year ending April 30, 1970 to 1976	\$15.00
Year ending April 30, 1977	\$25.00

II.2 The Institute of Chartered Accountants of Ontario

II.2.1 Role and Powers

The Institute was founded in 1879 and incorporated by private Act of the Provincial Legislature in 1882-83. The Act, most recently revised in 1956, provides the legal foundation for the Institute's existence and for the powers it possesses. (The Chartered Accountants Act S.O. 1956, c.7). These powers derive only from the Act of

1. NAME	THE INSTITUTE OF CHARTERED ACCOUNTANTS OF ONTARIO	THE SOCIETY OF MANAGEMENT ACCOUNTANTS OF ONTARIO	THE CERTIFIED GENERAL ACCOUNTANTS ASSOCIATION OF ONTARIO	THE INSTITUTE OF ACCREDITED PUBLIC ACCOUNTANTS OF ONTARIO
2. ADDRESS/TELEPHONE NUMBER	69 Bloor Street East, Toronto, Ontario M4W 1B3 (416) 962-1841	154 Main Street East, P.O. Box 176, Hamilton, Ontario L8N 3C3 Hamilton 525-4100 Toronto 364-1734	25 Adelaide Street East, 18th Floor, Toronto, Ontario M5C 1Y6 (416) 366-6501	12 Bentworth Avenue, Toronto, Ontario M6A 1P3 (416) 781-9367
3. NATURE OF GROUP	1. Qualifying body for Public Accountants under The Public Accountancy Act. 2. Voluntary association of Chartered Accountants trained in the field of Public Accounting and holding the designation C.A..	Voluntary organization of Management Accountants working primarily in business and government. Awards R.I.A. and F.S.I.A. designations.	Voluntary organization of Accountants working in government, industry and in public practice and holding the designation C.G.A..	Voluntary organization of licensed public accountants in public practice holding the designation A.P.A. membership is restricted to license holders.
DATE OF INCORPORATION	1883	Federally - 1920 Provincially - 1941	1957	1963 - Supplementary Letters Patent 1946 - Dominion Charter
4. NATIONAL ORGANIZATION	The Canadian Institute of Chartered Accountants. Members of I.C.A.O., are automatically members of the C.I.C.A. and the C.P.A. Association.	The Society of Management Accountants of Canada. An affiliation of provincial societies with overlapping membership.	The General Accountants Association of Canada. An affiliation of provincial associations.	The Canadian Institute of Accredited Public Accountants.
5. MEMBERSHIP CATEGORIES/MEMBERS (ONTARIO ONLY)	<div> <div>1975-76</div> <div>Life Members</div> <div>Fellows 19</div> <div>Associates 25</div> <div>Fellows 370</div> <div>Associates 10,920</div> <div>Students* 3,695</div> <div>* Not members</div> </div>	<div> <div>1975</div> <div>Registered Members 3,809</div> <div>General Members 316</div> <div>Student Members 7,311</div> <div>Fellows (FSIA) 0</div> </div>	<div> <div>1976</div> <div>Members 2,200</div> <div>Students 6,100</div> </div>	<div> <div>1975</div> <div>Members (licensees) 135</div> <div>(non-licensees) 25</div> <div>Students None</div> </div>

6. GOVERNING BODY	i) SIZE	25 Institute Members	16 Registered Members	21 Certificated	12 Directors
	ii) METHOD OF ELECTION	Open nomination, mail ballot.	Nominated by nominating committee and elected at Annual General Meeting.	Mail ballot for staggered 3 year terms.	Open Nomination, Mail Ballot One year term.
	iii) OUTSIDE REPS.	None. Students serve on some Standing Committees.	None.	None.	None.
7. PUBLICATIONS		<u>C.A. Magazine</u> Technical - accounting and auditing - magazine published by the C.I.C.A. monthly	<u>Cost and Management</u> Technical publication of the National Society. Published bi-monthly	<u>C.G.A. Magazine</u> Technical publication of the National Association published bi-monthly.	Occasional Newsletter
		<u>Checkmark Newsletter</u> of the I.C.A.O.	<u>R.I.A. Digest</u> of relevant and current magazine articles published bi-monthly Monographs	<u>C.G.A. Newsletter</u> Publication of the C.G.A.A.O. 5 issues/year	
8. REVENUES (NET) (INCLUDING EDUCATIONAL PROGRAMMES)		Year ended Feb. 29, 1976 \$2,100,896	Year ended April 30, 1976 \$2,026,600	Year ended April 30, 1976 \$2,276,777	N/A
	ASSETS (NET)	Feb. 29, 1976 \$ 589,818	April 30, 1976 \$ 268,000	April 30, 1976 \$ 767,227	N/A

incorporation and from by-laws and rules of conduct properly passed in accordance with the provisions of the Act. Simply put, the Institute is a private organization of individuals who have met the prescribed entry standards, pay an annual membership fee and are permitted to describe themselves as Chartered Accountants and to use the initials "C.A." or "F.C.A." as appropriate.

The objects of the Institute as stated in the Act are:

- "(a) To promote and increase the knowledge, skill and proficiency of its members and students in accounts;
- (b) To regulate the discipline and professional conduct of its members and students in accounts;
- (c) To promote and protect the welfare and interest of the Institute and the accounting profession.

Section 8 of The Chartered Accountants Act empowers the Council of the Institute to pass by-laws to carry out the objects of the Institute and Section 9 gives power to hold and charge property.

II.2.2 Organization

The C.A. profession is organized provincially in Canada, provincial Institutes being incorporated by provincial statutes. Each provincial Institute is autonomous. A national body, the Canadian Institute of Chartered Accountants (C.I.C.A.) carries out a number of functions delegated to it by common consent of the provincial Institutes - such as research and publication of a national magazine. (See II.2.4 below). The C.I.C.A. is incorporated by federal statute.

In common with other provincial Institutes, the Ontario Institute is responsible for the education and admission of members, for the

professional conduct/discipline functions, for its own public relations, for development of such professional development courses as tend to be provincial in their application, and for the offering of other professional development courses.

The Institute had, as of February, 1976, about 11,340 members and 3,700 students. The province is divided into 18 areas in each of which there is a district association. Membership in a district association is a voluntary matter; usually it is not restricted to members of the Ontario Institute but is open to members of other provincial Institutes who are resident in the particular district, whether or not they are Ontario members. A subsidy is paid by the Institute to district associations to assist them in their operations.

The Council of the I.C.A.O. is elected by the membership at large. It is charged with managing and conducting the affairs of the Institute so as to carry out its objectives. Council is assisted by some 37 committees, sub-committees and study groups on which 437 members serve on a voluntary basis. Members of the Council are elected annually on an open nomination, mailed ballot basis.

An Executive Committee is elected by Council each year, from among its members, comprising five officers and two other members of Council. Of the five officers, the treasurer is appointed for a three year period, although the appointment is on the basis of annual renewals and is subject to re-election to Council. The secretary and treasurer, in the normal course of events, are not expected to proceed to the presidency, although they are not precluded from doing so. The second vice president and first vice president normally proceed to the presidency.

In order to reduce the detail work for the Council, the Executive Committee is specifically authorized to make decisions in a number of matters without reference to Council.

The committees of the Institute are subject to the overall authority of the Council in the conduct of Institute affairs. The appointment of Committee chairmen is the prerogative of the Council. In accordance with I.C.A.O. by-law 52, the Council annually selects and appoints the members of the following committee:

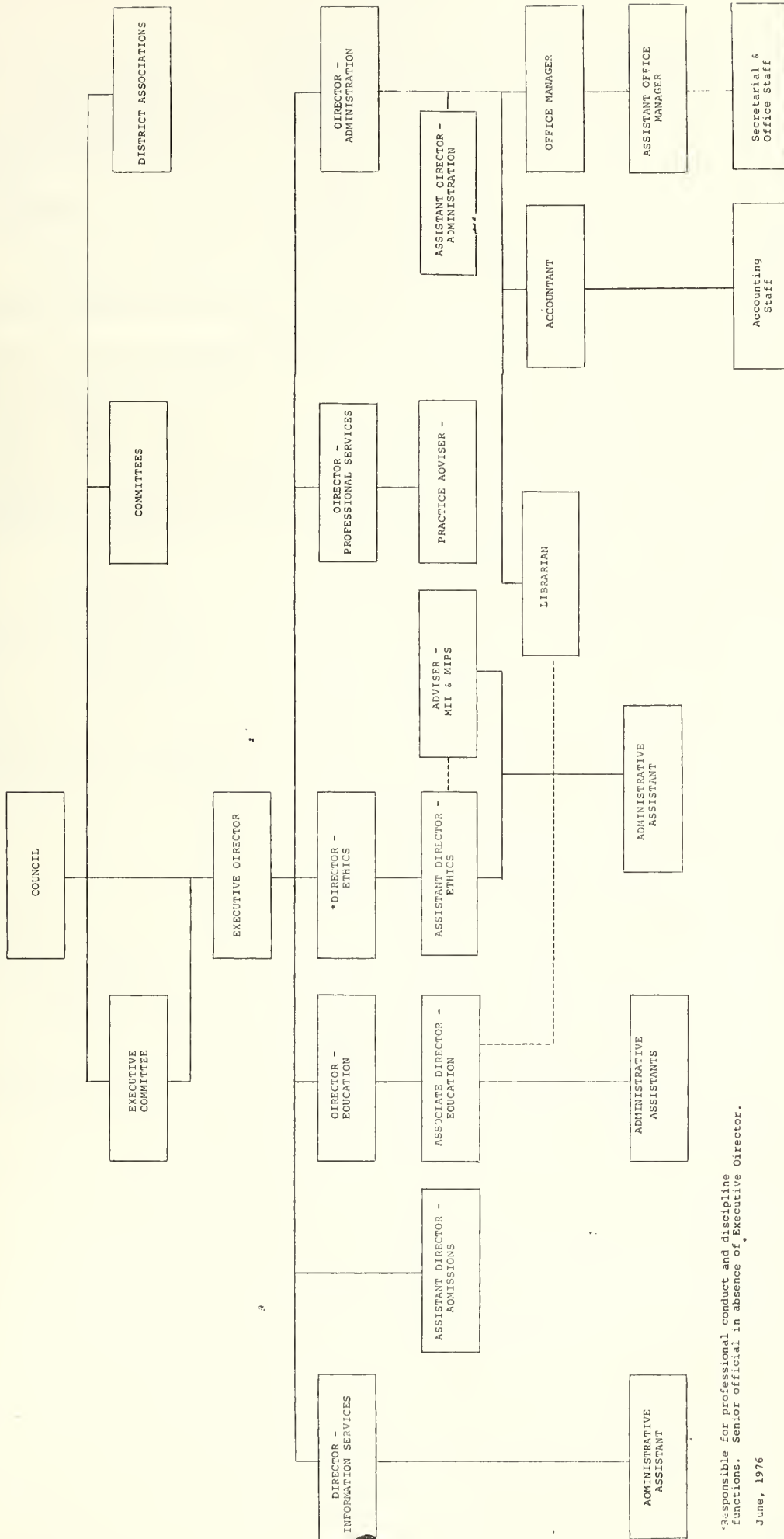
- (a) the applications committee
- (b) the education committee
- (c) the professional conduct committee
- (d) the discipline committee, and
- (e) the appeal committee

An organization chart of the staff of the I.C.A.O. is included as Figure II.2. While the staff is under the general direction of the Council, this authority is normally exercised through the Executive Committee and thence through the Executive Director. The Executive Director is the senior staff man and has responsibility for the implementation of Institute policies.

The Chartered Accountants Students Association of Ontario includes all students registered with the Institute for training. It is organized at both the provincial and district level (branches) not unlike the Institute district association structure.

Since the merger of the I.C.A.O. and the Certified Public Accountants Association of Ontario (C.P.A.) in 1962 these two organizations have common membership. The I.C.A.O. has maintained the statute of incorporation of the C.P.A. Association in large measure to preserve the designation C.P.A. for its members. Although dormant, the C.P.A. Association continues to have a governing body. The governing body of the C.P.A. Ontario is

FIGURE II.2
COUNCIL, COMMITTEES AND STAFF STRUCTURE



*Responsible for professional conduct and discipline functions. Senior official in absence of Executive Director.
June, 1976

drawn from the members of the Council of the I.C.A.O..

On the subject of non-professional representation, by-law 51 of the I.C.A.O. gives power to the Council to appoint non-members to Institute committees. Under this power, registered students (who are not members) nominated by the Students' Association serve on the following standing Institute committees: Education; Applications; Careers Information; and Library. There is at the present time, no public representation on the governing Council of the I.C.A.O..

Data on the Institute's membership are given in Table II.4. The I.C.A.O. has standing committees in general and technical areas. Standing committees in the general area are:

- Annual Conference;
- Appeal
- Applications
- Audit
- By-laws Advisory
- Careers Information
- Check mark Editorial Board
- Discipline
- District Associations
- Education
- Examination Sub-Committee
- Experience Appraisal
- Functions
- Insurance
- Library
- Members in Industry
- Members in the Public Sector
- Planning
- Professional Conduct and Special Advisory
- Professional Development
- Public Relations
- Small Practices

Technical

- Bankruptcy
- Colleges and Universities
- Corporations and Securities Law
- General Legislation
- Study Group on Election Finances Reform Act
- Loan and Trust Corporations

TABLE II.4

ICAO MEMBERSHIP OVERVIEW

<u>(i) changes during the year</u>	<u>1975/76</u>	<u>1974/75</u>
Membership at beginning of year	10,676	10,048
Additions during year:		
Examinations	568	535
Affiliations	181	192
Reinstatements	11	6
	<u>11,436</u>	<u>10,781</u>
Losses during year:		
Deceased	(51)	(49)
Expelled	(1)	(1)
Resigned	(27)	(38)
Suspended during year and not reinstated at year end	(23)	(17)
	<u>11,334</u>	<u>10,676</u>

(ii) analysis by categories

Life members: Fellows	19	16
Associates	25	18
Fellows: (other than life members)	370	383
Associates: (other than life members)	<u>10,920</u>	<u>10,259</u>
	<u>11,334</u>	<u>10,676</u>

(iii) geographical and occupational
distribution (at February 29, 1976)

	Metro Toronto	Other Ontario	Canada outside Ontario	Other Countries	Total
Public practice					
proprietor or partner	1,387	1,144	399	103	3,033
Public practice employee	1,092	745	178	71	2,086
Industrial & commercial	2,034	1,103	322	237	3,696
Government & academic	561	799	119	33	1,512
Retired	280	209	55	32	576
Other occupation	100	84	52	36	272
Classification unknown	84	40	12	23	159
	<u>5,538</u>	<u>4,124</u>	<u>1,137</u>	<u>535</u>	<u>11,334</u>

(iv) occupational distribution (1934 to date)

Institute year end	Public practice	other than public practice	retired and classification unknown*	total
1934	437	193	*	630
1939	513	331	*	844
1944	495	540	*	1,035
1949	701	593	*	1,294
1954	1,218	1,039	*	2,257
1959	1,656	1,736	*	3,392
1964	2,630	3,261	*	5,891
1969	3,408	4,313	*	7,721
1974	4,314	4,828	906	10,048
1975	4,757	5,236	683	10,676
1976	5,119	5,480	735	11,334

* First separated in 1974

(v) history

<u>year</u>	<u>students</u>	<u>members</u>
1879	*	37
1884+	*	175
1894	*	78
1904	*	92
1914	*	198
1924	141	306
1934	199	630
1944	238	1,035
1954	1,367	2,257
196	2,539	5,891
1974	2,835	10,048
1975	3,342	10,676
1976	3,695	11,334

+ Year after incorporation

* Institute course established 1921

Municipal Accounting and Auditing under which
are the Audit Advisory Sub-Committee;
Sub-Committee on School Boards and the
Study Group on Municipal Financial
Information

Taxation

Consultation Panel

Fees Mediation Panel 28

II.2.3 Election of Council

By-law 22 covers the procedure for election to Council:

- 22 ** (1) Any nomination of a candidate for election to the council shall be in writing signed by two members, shall have the written assent of the nominee appended thereto and shall be lodged with the registrar at least thirty-five days before the day of the annual general meeting, excluding the day of such meeting.
- *** (2) The registrar shall prepare voting papers containing the names of the candidates so nominated and shall send one such voting paper to each member at least fifteen days before the day of the annual general meeting, excluding the day of such meeting.
- *** (3) Voting papers shall be lodged with the registrar; any voting paper containing less than eight votes or more than twenty-five shall be null and void.
- (4) The ballot shall close one hour before the time appointed for the commencement of the annual general meeting.
- (5) The registrar shall deliver the voting papers lodged with him to three or more scrutineers appointed by the president from members who are not candidates.
- (6) The scrutineers shall count the votes cast by the voting papers and prepare, sign and deliver to the chairman of the annual general meeting a certificate of the names of the twenty-five candidates receiving the highest number of votes. The scrutineers shall also prepare a summary of the votes cast for each candidate which shall be lodged with the registrar for the information of any member.
- (7) Any tie shall be broken by lot drawn privately by the scrutineers.
- (8) The chairman shall declare to the annual general meeting that the candidates named in the scrutineers' certificate have been elected to the council for the ensuing year, but the officers of the Institute shall notwithstanding continue to act until their successors are elected.
- (9) The voting papers shall be destroyed following the annual general meeting.

II.2.4 Inter-Relationships with Other Groups

On admission to membership in the I.C.A.O., a member becomes ipso facto a member of the Canadian Institute of Chartered Accountants: he becomes, also, a member of the C.P.A. Association. The primary inter-relationship for members of the I.C.A.O. is with the national group, the C.I.C.A..

The original national organization of C.A.'s, the Dominion Association of Chartered Accountants, was formed in the early 1900's and at first competed with the provincial Institutes; eventually as part of a process of rationalization, it became the national organization of the members who then comprised the provincial Institutes. Control reposed in the hands of the provincial Institutes and the intended function of the national body was to provide a co-ordinating vehicle; in time it became the vehicle, also, for research and the production of a magazine on a national basis.

In addition to its co-ordinating, research and publication functions, the C.I.C.A. produces professional development courses, which are offered by the provincial Institutes. It serves also as the profession's voice in national and international affairs. The C.I.C.A.'s governing body is the 23 member Board of Governors. The I.C.A.O. appoints 4 governors and the Treasurer, Quebec 3 governors and the Secretary, British Columbia, Alberta and Manitoba 2 governors each, the remaining provinces and Bermuda 1 governor each; a presidential nominating committee appoints the first vice president and president. The Executive Committee is made up of the president, first vice president, secretary and treasurer, plus 2 other governors, elected from their number by the rest of the Board.

I.C.A.O. members, under the Ontario Institute's by-laws, are required to pay the C.I.C.A. fee through the Ontario Institute. For a member who belongs to more than one provincial Institute, the one to

which he first belongs is usually responsible for collection of the C.I.C.A. fee. In 1976, in Ontario, the total annual fee for a member resident, or carrying on an occupation, in Ontario was \$145, of which \$85 was passed on to the C.I.C.A..

The I.C.A.O. is also inter-related with 3 co-operative organizations:

- (a) Co-ordination Committee of Provinces and C.I.C.A. (COORDCOM) - This Committee is made up of representatives of the provinces (usually a vice president, with staff observer) Bermuda and C.I.C.A; its secretariat is within the C.I.C.A. offices. It meets about twice a year, both to exchange information and to co-ordinate functions which are common to the provinces, where a joint effort is desirable - such as education, rules of conduct, professional development programs and regulatory legislation.
- (b) Inter-provincial Education Committee (IPEC)
It is the vehicle through which, co-operatively, the provinces and Bermuda organize uniform examinations and exchange information on education generally. Its sub-committees include - Long Range Educational Planning, Board of Examiners, and Syllabus. The Committee is responsible for the continuing development of the body of knowledge, from which derives the syllabus for the final examination. IPEC reports to COORDCOM.
- (c) INTERPROF (Interprofessional Liaison Committee)
The Institute is a member of an Ontario Inter-professional Liaison Committee (Interprof) which includes a number of the professions in the province - doctors, lawyers, engineers, veterinarians, pharmacists, dentists, architects and C.A.'s. This body exists primarily for the exchange of information. It meets about 4 times a year. Such secretariat as exists is provided by the Ontario Medical Association.

II.2.5 Services and Benefits Provided

The services and benefits provided by the I.C.A.O. to its members are extensive. A list of the major benefits and services is given below.

- 1. Research - the C.I.C.A. is charged with the responsibility for the research efforts of the profession. Accounting and auditing research of the C.I.C.A. is nationally recognized not only in the profession, but

also in business and governmental circles. Research costs for 1976-77 totalled \$1,020,000 and annual costs are expected to increase to \$1,320,000 in the next three years. The results of the C.I.C.A.'s research activities are publicly available. The C.I.C.A. has recently established an Accounting Research Advisory Board on which members of the business community serve.

2. Professional Development Courses - A variety of professional development courses are available to C.A.'s. A discussion of the role of professional development in the maintenance of standards of members is given in Section III.4, Post Entry Education.

The approximately 540 non-C.A. public accountant licensees in Ontario have access both to the research and professional development activities of the I.C.A.O.. The courses are produced by the C.I.C.A. and offered locally by the provincial Institutes.

3. Code of Ethics - The I.C.A.O. considers its code of ethics as one of the benefits provided to its members. A discussion of the foundation on which the code of ethics is built and the disciplinary procedures pertaining thereto is found in Section IV.

4. Consultation Service - The I.C.A.O. maintains a consultation service for members practising alone or in smaller firms who encounter problems on which they would welcome the opportunity to check their judgement with an experienced member of the profession. The service, established in 1963, provides such assistance in the fields of accounting and auditing. The consultants made available to small practitioners have been selected by the I.C.A.O. Council for their knowledge and reputation in the field of accounting theory, auditing practice and financial reporting. This is a wholly voluntary and private service within the profession. Members are

under no duty to consult nor is the consultant as such under any duty to respond in any particular case.

5. Emergency Professional Assistance Plan - In 1971, the I.C.A.O., on the recommendation of the Small Practices Committee, established a plan of emergency assistance for members in public practice, to provide help in cases of illness or death of a practitioner. The plan operates by fellow-members servicing clients until a disabled member can resume his practice, or until the practice can be sold in case of death or permanent disability.

6. Fees Mediation Service - The fees mediation service of the I.C.A.O. is described under Section V.3. The fees mediation service is a purely voluntary service and members and clients are under no obligation to make use of the service. Neither the Institute nor its volunteer members performing this gratuitous service are liable in any way to members or clients; however, when disputes are brought to the attention of the Institute, and if both parties agree in writing to be bound by the decision of the mediation panel, the Institute will act.

7. Municipal Audit Advisory Group - Recognizing that municipal auditing presents special problems for the practitioner, the I.C.A.O. Council, in 1970, established a Municipal Audit Advisory Group. The main purposes of the advisory group are: to review current standards, education and practice in the municipal auditing field and to make suggestions for improvement; to assist those currently involved in municipal auditing by responding to requests for advice and counsel on specific problems in the municipal auditing field. The advisory service is free of charge and confidential in nature.

8. Practice Advisory Service - On the recommendation of the Small Practices Committee a full-time professional practice advisor was added to the Institute's staff in May, 1972. There are now three full-time professional practice advisors on the Institute staff. The objective of the practice advisory service is to encourage and to help the practitioner maintain quality and improve his professional performance. The service is voluntary, confidential, and without charge.

9. Group Insurance - Group life and income protection policies are maintained through which members individually, and practising firms, may secure coverage. Through the C.I.C.A. the I.C.A.O. offers to practitioners a group policy of professional liability insurance. See also Section V on professional liability.

10. Publications and Conferences - The C.I.C.A., on behalf of the profession nationally, publishes a Canadian professional journal on accounting and auditing - C.A. Magazine - which goes to each member and C.A. student in the country. The national and provincial institutes also use periodic newsletters to inform members and students on current activity and concerns. There are also technical conferences offered both provincially and nationally each year.

11. Unionization, Bargaining - Neither the Institute, the C.I.C.A., the C.P.A. Association, the Students' Association nor the district associations act as bargaining agents for members.²⁹ There is no Institute rule against a member or student belonging to a union and a number of members in the Public Service of Canada, for example, are within collective bargaining units.

II.2.6 Representations to Government

Of the almost 40 volunteer committees, sub-committees and study groups of the I.C.A.O., a number devote themselves primarily to matters of provincial legislation and work in close co-operation with the relevant government departments and agencies. They are concerned with such matters as accounting and auditing problems related to:

- Colleges and Universities
- Corporations Acts
- Credit Unions
- Securities Legislation
- Loan and Trust Corporations
- Insurance Companies
- Municipalities (including a Municipal Audit Advisory Group)
- School Boards
- Election Finances
- Provincial Taxing Statutes and other legislation

Contact is maintained with the Ontario Securities Commission and the Toronto Stock Exchange, particularly in matters concerning financial disclosure standards. The I.C.A.O. has also, over the years, made numerous submissions to the provincial and federal governments on existing and proposed legislation, in matters lying within the fields of competence of the members. Some of these submissions relate, for example to:

Provincial and Federal Legislation respecting taxes - often through joint committees with the Canadian Bar Association;

Changes proposed from time to time in the Securities Act and regulations;

Proposed regulations for The Loan and Trust Corporations Act;

The Business Corporations Act and Regulations;

New Canada Business Corporations Act and Regulations;

The Education Act;

Federal Trust Companies Act and Loan Companies Act;

The Ontario Government Publication "A Guide for the Municipal Auditor in Ontario";

Deliberations of various Select Committees of the Legislature;

Various Legislative requirements respecting audit forms and reports.

The I.C.A.O. has also prepared guidelines for auditors of Ontario

Insurance Companies and of loan and trust corporations.

The I.C.A.O., of course, has also prepared submissions to government on matters affecting the structure and practice of public accountancy in the province. In 1971, for example, the I.C.A.O. submitted two briefs to the Commission on Post Secondary Education in Ontario and in September 1975 the Institute prepared a lengthy comment on the C.G. A. petition to government respecting The Public Accountancy Act. The latter document is comprehensive and deals with a variety of educational and licensing matters.

II.3 The Society of Management Accountants³⁰

II.3.1 Role and Powers

The Society of Management Accountants is a voluntary organization of management accountants working primarily in business and government.³¹ It was incorporated by the Ontario legislature under a private member's bill in 1941 as the Society of Industrial and Cost Accountants of Ontario.

The Act of Incorporation states the objects of the Society as:

"The general objects of the Society shall be to promote and increase the knowledge, skill and proficiency of its members in all things relating to industrial and cost accounting, business organization and administration. The Act provides for the Council of the Society to pass by-laws subject to approval at an annual general meeting of the Society in the following areas:

- (a) prescribing a curriculum and a course of studies to be

pursued by members of the Society in industrial and cost accounting, business organization and administration and the subjects upon which candidates for admission to registered membership shall be examined and for granting certificates to registered members;

- (b) establishing lectures and classes for members of the Society in industrial and cost accounting, business organization and administration;
- (c) authorizing an agreement between the Society and any university, college or school for such lectures or classes as may come within the course of subjects prescribed by the by-laws of the Society;
- (d) regulating the conduct of the members of the Society including the suspension or expulsion of any member for misconduct or violation of the by-laws of the Society;
- (e) providing for the salary of the Society's staff;
- (f) fixing the examination fees to be paid by members and candidates for admission;
- (g) establishing chapters of the Society within Ontario;
- (h) affiliating any other body, corporate or unincorporated having objects similar to those of the Society;
- (i) electing members to the Council.

Any by-law of the Society may be annulled by the Lieutenant Governor in Council."³²

Section II of the Act gives every registered member of the Society the right to use the designation "Registered Industrial and Cost Accountant" and the initials "R.I.A.". ³³ Section 11(2) prohibits others from using this designation subject to a penalty and fine. Section 12 states that:

"This Act shall not affect or interfere with the right of any person from carrying on business in Ontario as a cost accountant or industrial accountant, or professional accountant, and from designating himself as such."

Registered members of the Society are those who have successfully completed a specified curriculum of study. (See Section III.1). The curriculum is made up of core accounting subjects, plus environmental and special subject areas that are deemed to be part of the required

expertise of a qualified management accountant. These registered members also have a required amount of practical work experience at an acceptable professional level.

The Society also has a number of general members who wish to avail themselves of the Society's services, and/or wish to become involved in serving the Society at some level. These members have been accepted on account of a professional designation other than R.I.A., adequate educational background in accounting and management or a reasonably senior position in business or government which is related to the preparation and use of accounting information.

The S.M.A.O. is not involved directly with an licensing body. There is a saving clause in The Public Accountancy Act (Section 34) which specifically names registered members of the Society and states that:

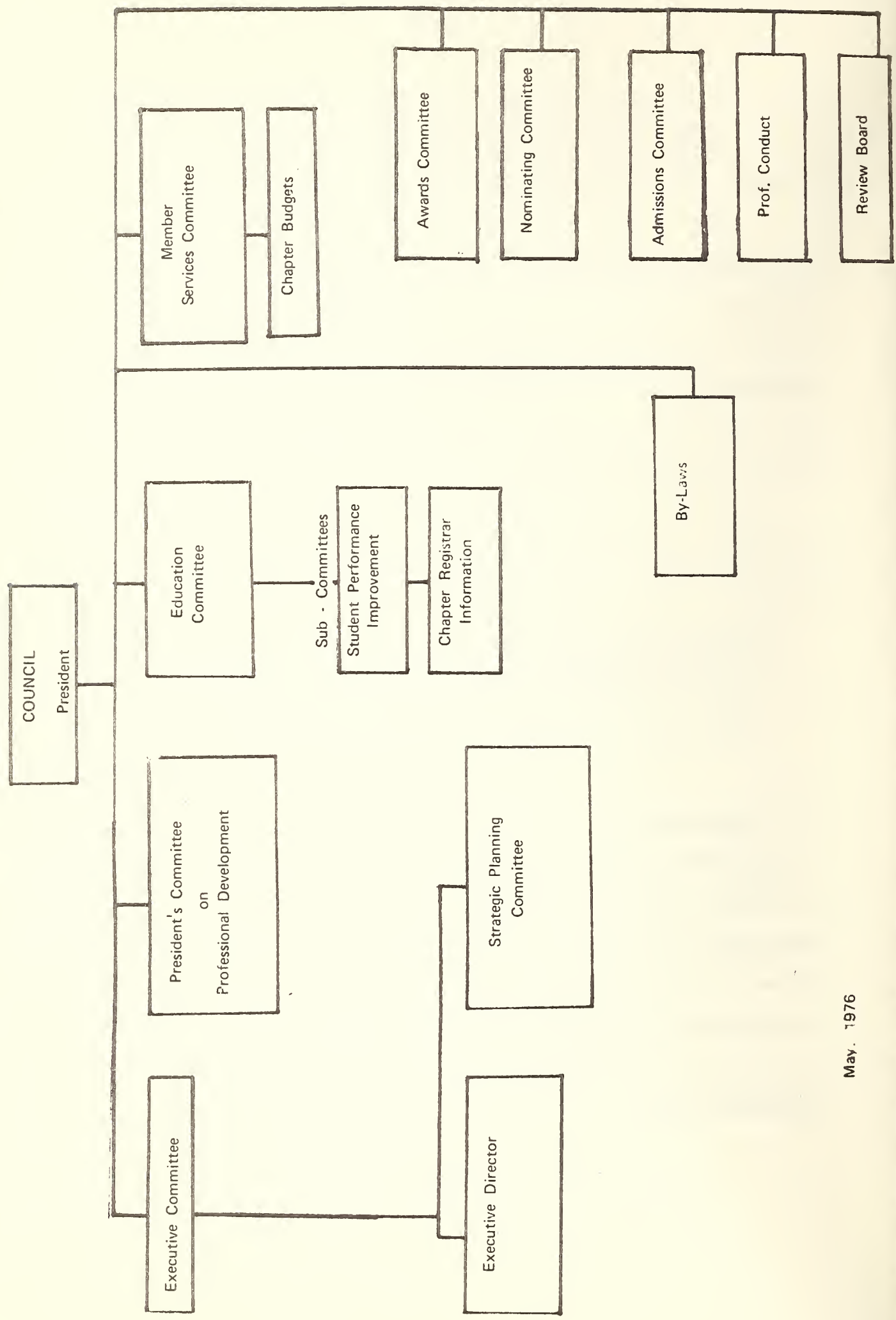
"Nothing in this Act precludes a registered member of the Society of Industrial and Cost Accountants of Ontario, or any other person, from practising as an industrial accountant, cost accountant or cost consultant, from designating himself as such or from issuing statements, opinions, reports or certificates in connection with such practice."

II.3.2 Organization

A current organization chart of the S.M.A.O. is given in Figure II.3. The governing body of the S.M.A. consists of a Council of elected registered members who hold office for a term of 1 year. The Council has 16 elected members, as well as ex officio members consisting of the 5 most immediate past presidents of the Society, the Chairmen of the Standing Committees and the Chairmen of the Boards of Directors of each chapter and each provisional chapter.

THE SOCIETY OF INDUSTRIAL ACCOUNTANTS
OF ONTARIO
ORGANIZATION CHART

FIGURE II.3



At the first meeting of the Council after each annual general meeting of the society, the Council elects from among their number, a president, a first and second vice president, one or more vice presidents as they may by resolution determine and a secretary-treasurer. There is a provision for the president in consultation with the nominating committee, to appoint the chairmen of the various standing committees. The Council appoints an Executive Director who is responsible directly to the Executive Committee for the administration, organization, operation, efficiency and discipline of the offices of the Society. By-law 29 lists the duties of officers and by-law 30, the standing committees.³⁴

There are 11 standing committees of the Society and they are:

- Executive Committee
- Educational Services Committee
- Member Services Committee
- Admissions Committee
- Strategic Planning Committee
- Professional Conduct Committee
- Review Board
- Awards Committee
- By-law Committee.
- Professional Development Unification

The make-up of the committees and their responsibilities is given in by-laws 31 through 43 inclusive. The Professional Conduct Committee and the Review Board are both responsible for the procedure in disciplinary proceedings. Their role is explicitly defined in Section IV on Codes of Ethics and Disciplinary Procedures.

The Society presently has 4 categories of membership of which 3 are active. They are: registered members, general members, and student members. Table II.3 (page 36) gives the number of members in each category for 1965 and 1975. The Ontario Society has about 300 C.A.'s and 65 C.G.A.'s among its senior membership. In most cases where members carry a dual

designation, the R.I.A. is the second designation which they earned. The Ontario Society also has about 35 engineers and 60 other professionals among its senior membership (i.e., excluding students). More than 200 professionals are currently enrolled in the R.I.A. programme with the Ontario Society.

No R.I.A.'s who solely hold that designation have ever received a licence to practise as public accountants in the province. The Executive Director of the S.M.A.O. stated that he was aware of only 1 individual who qualified for a licence but that that individual had not applied.

II.3.3 Election of Council

The process of nomination and election of members to Council is covered in S.I.A. by-laws 22 and 23. Nominations for members-at-large of Council (i.e., the 16 elected members) are made by a Nominating Committee which consists of the 5 most immediate past presidents. The Nominating Committee submits to the Executive Director on or before the first day of May of each year a report nominating, for the ensuing year, the 16 members-at-large. At least 45 days before the annual general meeting, the Executive Director mails to all registered members in good standing:

1. A list of the incumbent members at large indicating those nominated for re-election.
2. The list of nominations for members at large submitted by the Nominating Committee.
3. A notice that further nominations may be made provided that to be valid any such nomination must be in writing and signed by any two registered members in good standing with the written consent of the nominee endorsed thereon or appended thereto.

If the nominations for members-at-large of Council do not exceed 16, the members so nominated are declared duly elected members-at-large of Council. If the nominations for members-at-large of Council exceed 16, such members are elected by ballot at the annual general meeting by the registered members in good standing who are present at that meeting and entitled to vote.

II.3.4 Relationship to the Canadian Society/Other Groups

Members of the Institute of Chartered Accountants took the initiative to form the Canadian Society of Cost Accountants in 1920. The Society was incorporated under federal charter and one representative from each of the provincial Institutes of Chartered Accountants comprised the sponsoring members.

The Canadian and Provincial Societies are joined by an agreement of affiliation, under which all members of the Ontario body and all members of other provincial organizations are ipso facto members of the Canadian Society. Membership dues are collected by the provincial association and a portion is forwarded to the Canadian Society for its maintenance. The Canadian Society has the responsibility, in co-operation with and in concurrence with the provincial bodies to prescribe a standard course or courses of study; to set the examinations to be written by student members; and to appoint duly qualified persons to mark and grade the examinations. The Canadian Society has sole responsibility for publications. Through the National Society, the S.M.A.O. maintains certain affiliations with accounting bodies in other countries.

The members of the provincial groups elect from among their own members, members to the Board of Directors of the Canadian Society and the affiliation agreement requires that at no time shall any provincial body be without representation on the Board of Directors of the Canadian Society. Figure II.4 shows the organizational inter-relationships between the national structure and the provincial structure at the Council and Committee level.

The Ontario Society maintains a Committee to explore and recommend co-operation with other accounting bodies. At present, this involves 2 or 3 meetings a year with representatives of the Ontario Institute of C.A.'s. In the discussions preceding the 1962 amendments to The Public Accountancy Act, the representatives of the various accounting bodies in the province reached an agreement that the Society of Industrial and Cost Accountants and the Certified General Accountants Association of Ontario would undertake discussions with the object of developing one strong group in the management accounting field to provide education to those who require it in this field. In other words, discussions were to be undertaken with the object of merging the two organizations. Such negotiations have been undertaken at three different times since 1962.

At the present time, the S.M.A. has no affiliation with any other groups in the province. There have been serious discussions with the Institute of Internal Auditors about shared educational facilities, and joint programmes have been run at the chapter level involving members of the S.M.A. and specialists in the field of data processing.

II.3.5 Services and Benefits Provided

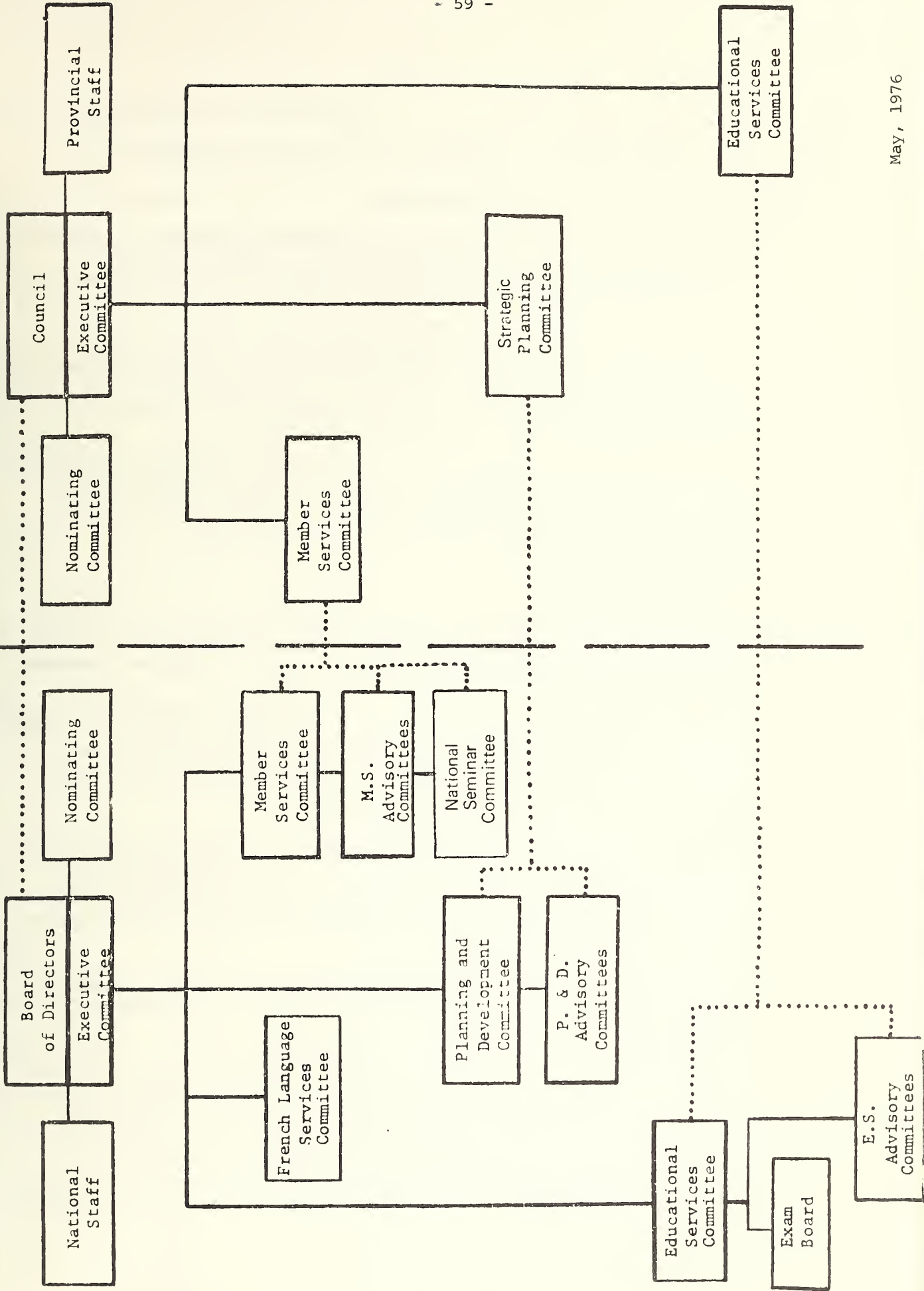
The S.M.A. provides services and benefits to its membership and to

THE SOCIETY OF MANAGEMENT ACCOUNTANTS

FIGURE II.4

National Structure

Provincial Structure



others who are non-members. In addition to its advanced studies programme it offers the following services:

- An Executive Seminar Programme for Management Accountants in Business and Government. Special seminars have been prepared and run in co-operation with other organizations including rate setting seminars for utility suppliers and regulatory bodies.
- The Principles and Practices Committee, which carries out research into the application of management accounting techniques within both the private business sector and the government sector. Several major projects are undertaken in co-operation with the National Association of Accountants in the U.S.A..
- R.I.A. Digest, a bi-monthly publication which summarizes significant articles recently published in Canadian, U.S. and U.K. financial accounting journals. Members and non-members may order complete reprints of abstracted articles at a nominal charge.
- Annual conference.
- A resource centre containing books, articles, journals, electronic tapes and original theses. A topical index is supplied all members periodically and library materials are shipped on request, postage-paid both ways by the Society.
- Technical seminars, education courses, outstanding speakers, community service projects, and social events at the Chapter level. The monthly Chapter meeting may take the form of a plant tour, a panel discussion, a capsule conference, an inter-professional meeting, a case simulation exercise or a workshop.
- Special studies on contemporary problems and subjects of interest to management accountants. Copies of all of these studies are distributed without charge to the Society's Registered and General Members. Company libraries may request a free copy of new special studies from SMA/Ontario.
- Distinguished Lecture Tour. Special speakers are commissioned to present lectures on topics of current importance to management accountants.

The Ontario Society serves no "union" role, and it is not involved in acting as a bargaining agent for any group. The code of ethics and disciplinary procedures of the Society are listed in Section IV. The Society is not involved in any compensation funds or malpractice insurance at the present time.

II.3.6 Representations to Government

Submissions have been sent to the C.I.C.A., the Financial Accounting Standards Board (U.S.A.), the International Accounting Standards Committee, the Anti-Inflation Board, the Securities and Exchange Commission (U.S.A.) the Department of Justice and the Department of Finance.

Various sub-committees of the Society have projects in progress including, position papers on the Competition Act, proposed changes in the Bank Act, as well as a feasibility study concerning the potential of doing accounting research in the federal government.

Finally, there have been 8 submissions by provincial societies to their respective provincial governments. These papers all reflect the goals of the Society regarding one major accounting organization for accountants serving the public attest function and one for accountants in management accounting. This has been a consistent policy following changes in The Public Accountancy Act in 1962.

II.4 The Certified General Accountants Association of Ontario

II.4.1 Role and Powers

The Certified General Accountants Association of Ontario is a voluntary association of accountants. The Association's members work in industrial, governmental, and commercial organizations, and in accounting firms. Of the 2204 members, 217 were in accounting firms. (27 as sole proprietors, 25 as partners and 113 as employees). It should be noted that not all 217 are licensed to practice public accounting. As of April 30, 1977, 73 C.G.A.'s held licenses as public accountants.

All C.G.A. members have met the Association's requirements of professional competency; are bound to a uniform standard of conduct; and are entitled to the designation C.G.A..

The Certified General Accountants Association of Ontario was incorporated by Letters Patent of the Province of Ontario on August 2, 1957, and immediately entered into an affiliation agreement with the General Accountants Association, a national body. The early history of both organizations is described in Section 1.1 above.

The incorporation document specifies the objects and rights of the Association as follows:

- "A. To promote the interests, by membership and otherwise of all present and future Certified General Accountants, domiciled in Ontario, who are or who become certified members of the General Accountants Association who, having passed the required examinations and having complied with the practical accounting experience requirements, are entitled to the designation "Certified General Accountant" and the use of the initials, "C.G.A.".
- B. To promote and increase the knowledge, skill, proficiency and usefulness of its members in all things relating to the business or profession of an accountant or auditor in private or public practice.
- C. To establish lectures and classes for students in accounts and to enter into agreement with the governing body of any university for the attendance of students in accounts and such lectures, classes and correspondence courses as may come within the course of subjects prescribed by the by-laws of the corporation.
- D. To hold such examinations and to prescribe such tests of competency as may be deemed expedient to qualify for admission to membership, and to grant certificates of efficiency to such persons.
- E. To discipline any member guilty of any fault or misconduct in the practice of his business or profession.
- F. To invest the monies of the corporation ...
- G. To affiliate with any association having objects the same as or similar to those of the corporation.

The Association has passed by-laws and established a code of ethics and rules of professional conduct. The educational programme of the Association is described in Section III and its disciplinary procedure is covered in Section IV.

II.4.2 Organization

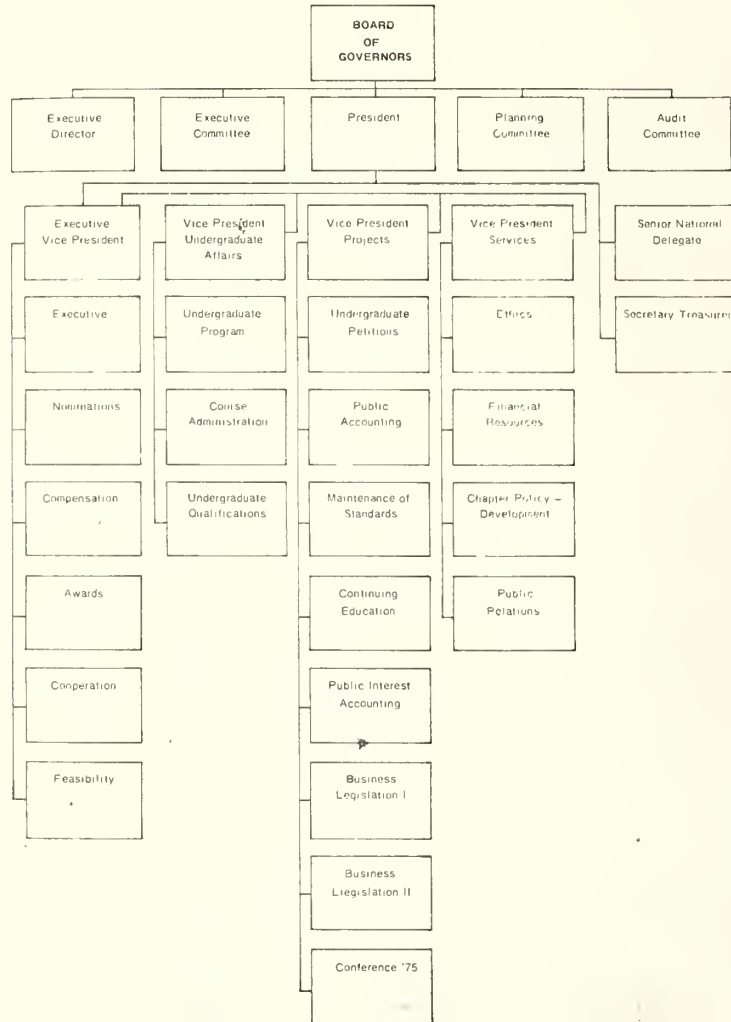
The current organization chart of the C.G.A.A.O. is included as Figure II.5.. It lists the Executive of the Association and the Standing Committees with their Chairmen. In addition, the Provincial Association is organized into chapters to foster learning and fellowship on a local level. At the present time, there are 14 chapters in Ontario. All members and students are members of a chapter by virtue of membership or enrolment as a student in the Ontario Association. Students have full membership rights in the chapter organizations, can vote and hold elected office on chapter boards of directors. Chapter organizations enjoy a fair degree of autonomy to arrange educational and social programmes for their members, but are ultimately responsible to the provincial Board of Governors.

Article 2 of the By-laws on membership states that the membership of the Ontario Association shall consist of one class: certificated members. Such members are divided into 3 sub-classes as follows:

- Regular - certificated members domiciled in Ontario or outside of Canada who have applied for and been accepted for membership in the Ontario Association and are normally gainfully employed.
- Life - certified members who have been granted life membership.
- Retired - certificated members domiciled in Ontario who have ceased to be gainfully employed and are not seeking gainful employment either temporarily or permanently.

FIGURE II.5

C.G.A. ASSOCIATION OF ONTARIO
BOARD OF GOVERNORS
ORGANIZATION CHART 1975 - 1976



The Association also accepts for membership undergraduates or students who may not make use of the designation C.G.A. or advertise themselves as anything other than undergraduates.

II.4.3 Election of Council

The affairs of the Association are managed by a Board of 22 directors, who constitute the governors of the Association. Any member of the Association who is in good standing may be nominated for election to the Board and any retiring governor may be nominated for re-election to the Board. Article 10 of the By-laws covers election of governors and directors. The Board is elected by mailed ballot for three year terms, so staggered that one-third of the elected terms expire each year. In addition, the immediate past president has a one-year term ex-officio. Any member is eligible for election to the board upon being nominated and seconded by two certificated members and agreeing to run for office. The size of the Board was increased from 15 to 22 in 1973 due to growth of the Association.

II.4.4 Relationship to the General Accountants Association

Table II.5, provided by the C.G.A.A.O., lists the division of responsibility for administration and policy setting between the provincial Associations and the National body.

Generally speaking, the National Association ensures the portability of the C.G.A. designation to all provinces in Canada. The National Co-ordinating Committee for Education and the National Board of Examiners set policy on and administrate examination content and marking standards.

Apart from its role of ensuring uniformity in such areas as entrance requirements and education, examinations and other qualification

standards, the National Association also plays a part in co-ordinating and sharing the resources of the C.G.A. on a national basis; for example, by allowing provincial C.G.A. associations to offer benefits to sister C.G.A. associations in developing areas.

One representative of the General Accountants Association of Canada sits on the 22 member Research Committee of the Canadian Institute of Chartered Accountants. The C.G.A.A.C. also supports this Committee financially. (In 1977-78 the C.G.A.A.C. contributed \$88,000, or 13 percent of the C.I.C.A. research budget.) The National Association publishes C.G.A. Magazine, a bi-monthly magazine of technical accounting articles.

The General Accountants Association of Canada is managed by a Board of Directors drawn from the governing bodies of the provincial associations. All provincial associations and areas of the country are represented.

The C.G.A.A.O. is not currently affiliated with any other group. In 1962, the Association agreed to undertake merger discussions with the Society of Industrial Accountants. These discussions took place throughout the years 1963 and 1964, until they were finally terminated by the C.G.A.A.O. in 1965. Further discussions occurred from 1972 to 1974.

II.4.5 Services and Benefits Provided

The C.G.A.A.O. and the national body provide a number of services and benefits to their members. The most important, undoubtedly, are the education programme and the standardized code of ethics. The Association's Chapters host their own social and technical programmes and an annual provincial conference is held.

The Association has specialized continuing education programmes available for its members (See Section III.4).

AREAS OF RESPONSIBILITY

Legend: C.G.A. - Provincial Associations or Regions
NCCE/NBE - Education Committee of C.G.A.A.C.
C.G.A.A.C. - General Accountants Association

ACTIVITY	RESPONSIBLE FOR ADMINISTRATION	RESPONSIBLE FOR SETTING POLICY
<u>A. STUDENTS</u>		
1. Minimum Admission Standards	C.G.A.	NCCE/NBE
2. Minimum Experience Requirements	C.G.A.	C.G.A.A.C.
3. Development of Body of Knowledge	NCCE/NBE	NCCE/NBE
4. Minimum Course Content	NCCE/NBE	NCCE/NBE
5. Preparation of Course Material	NCCE/NBE	NCCE/NBE
6. Administration of Course of Studies	C.G.A.	-
7. Examination Content & Marking Standards	NCCE/NBE	NCCE/NBE
8. Preparation of Examinations	NCCE/NBE	NCCE/NBE
9. Conduct of Examinations	C.G.A.	NCCE/NBE
10. Awarding of National Certificate	C.G.A.A.C.	NCCE/NBE
11. Awarding of Provincial Certificate	C.G.A.	C.G.A.
12. Exemptions and Prerequisites	C.G.A.	NCCE/NBE
13. Minimum Standards of Ethics & Prof. Conduct	C.G.A.	C.G.A.A.C.
14. Student Recruitment	C.G.A.	C.G.A.
15. Contact with Students	C.G.A.	C.G.A.
<u>B. CERTIFICATED MEMBERS</u>		
1. Minimum Continuing Educational Standards	C.G.A.	C.G.A.A.C.
2. Development of Program to Implement Minimum Cont. Ed. Standards	C.G.A.	C.G.A.A.C.
3. Administration of Cont. Ed. Course of Studies	C.G.A.	C.G.A.
4. Min. Standards of Ethics & Prof. Conduct	C.G.A.	C.G.A.A.C.
5. Accounting & Auditing Research	C.G.A.A.C.	C.G.A.A.C.
6. Contact with Members	C.G.A.	C.G.A.
<u>C. MISCELLANEOUS ACTIVITIES</u>		
1. Chapter Development	C.G.A.	C.G.A.
2. Regional Development (unincorporated)	C.G.A.A.C.	C.G.A.A.C.
3. Provincial Public Relations	C.G.A.	C.G.A.
4. National Public Relations	C.G.A.A.C.	C.G.A.A.C.
*5. Liaison with Provincial Government	C.G.A.	C.G.A.
*6. Liaison with Federal Government	C.G.A.A.C.	C.G.A.A.C.
*7. Responses to Provincial Legislation	C.G.A.	C.G.A.
*8. Responses to Federal Legislation	C.G.A.A.C.	C.G.A.A.C.
*9. Liaison with Federal Departments within the province	C.G.A.	C.G.A.
*10. Contact with business	C.G.A.	C.C.A.
11. C.G.A. National Magazine compilation	C.G.A.A.C.	C.G.A.A.C.
12. C.G.A. National Magazine provincial distribution	C.G.A.	C.G.A.

ACTIVITY	RESPONSIBLE FOR ADMINISTRATION	RESPONSIBLE FOR SETTING POLICY
<u>C. MISCELLANEOUS ACTIVITIES</u>		
13. C.G.A. National Magazine federal distribution	C.G.A.A.C.	C.G.A.A.C.
14. Provincial Newsletters	C.G.A.	C.G.A.
15. Contact with National/International organizations	C.G.A.A.C.	C.G.A.A.C.
16. Contact with Provincial Organizations	C.G.A.	C.G.A.
17. G.A.A. members' notices, bulletins, reports	C.G.A.	C.G.A.A.C.
18. Long Range Planning for the Profession	CO-ORDINATED	

- * These are general guidelines which are not intended to restrict any group from establishing ~~liaison or~~ contact with other organizations or institutions in the course of conducting their respective, normal activities.

Those offered as of 1976 are:

The Human Side of Management
Effective Management Communications
Basic Course in Taxation

A voluntary reporting system, introduced in April, 1976, and operating for a three-year trial period, allows members to report each year on their involvement in both continuing education and/or professional participation areas.

Professional liability is available to members on a group basis through Willis, Higgins, Faber Limited in Vancouver, B.C..

Finally, the Association conducts an annual salary survey which provides its members with information on the income of colleagues.

II.4.6 Representations to Government

The Association has two standing Committees dealing explicitly with business legislation. The function of these committees is to study and discuss each category of business legislation, both provincial and national, with the objective of being able to both submit briefs and offer opinions when called upon to do so. Each main committee supports four sub-committees. In total, 116 members serve on the Business Legislation Committee and sub-committees. The sub-committees of the Business Legislation Committees are concerned with the following areas of legislation:

Municipal and Related Acts
Business Formations
Environmental Protection
Taxation - Income
Consumer Protection
Lending
Employer Legislation
Taxation - other

II.5 The Institute of Accredited Public Accountants

II.5.1 Role and Powers

The Institute of Accredited Public Accountants is a voluntary association of accountants, numbering approximately 160, who are licensed to practise public accounting in Ontario.³⁵ The history of the I.A.P.A. is given in Section I. Following the merger of the I.A.P.A. with the International Accountants and Executives Corporation in 1958, the joint organization carried on its activities under the latter's name and charter until 1963 when the name was changed by Supplementary Letters Patent to the I.A.P.A. of Ontario.

Because of objections put forward by the Public Accountants Council, the Supplementary Letters Patent placed substantial restrictions on the role and powers of the I.A.P.A.. The Council argued that the designation of Accredited Public Accountants(A.P.A.) would be confusing to the public if members of the group included non-licensed accountants. Hence, membership in the group was restricted to:

- (a) current and future licensees under The Public Accountancy Act who are not chartered accountants,
- and
- (b) non-licensees who were members of the I.A.P.A. prior to 1963.

The I.A.P.A.'s request for authority to establish a training programme was not granted.

In November of 1974, the I.A.P.A. applied for Supplementary Letters Patent to remove the restrictions on its charter. Objections were lodged by the Public Accountants Council and the I.C.A.O. and no action was taken on the application.

The Supplementary Letters Patent of 1963 sets out the objects of

the Institute as follows:

- (a) to promote and increase the knowledge, skill and proficiency of the members of the Corporation in all things relating to the business or profession of an accountant or auditor;
- (b) to regulate the discipline and professional conduct of the members of the Corporation;
- (c) to promote and protect the welfare and interests of the Corporation and members thereof;
- (d) to prescribe standards and tests of competency, fitness and moral character for membership in the Corporation;
- (e) to prescribe fees payable to the Corporation by the members;
- (f) to provide class-rooms and other physical facilities for lectures, courses of study and examinations to improve the knowledge of its members;
- (g) to provide for the receipt, management and investment of contributions, donations and bequests from members and others for the benefit of needy members, their families and the families of deceased members or for scholarships and prizes and for contributions from the funds of the Corporation for such purposes;
- (h) to provide for rules of professional conduct for its members;
- (i) to provide for the exercise of disciplinary authority of the members of the Corporation by expulsion, suspension or the imposition of any other penalty after due inquiry; and,
- (j) to provide for the affiliation with any university or college or with any corporation or association having related or similar objects.

As a part of the 1962 agreement, licensed public accountants who are not C.A.'s may train C.A. students in their offices if those offices are approved by the I.C.A.O. for training. This provision was included to provide succession in practices operated by non-C.A.'s.

II.5.2 Organization

The I.A.P.A. of Ontario is governed by a twelve-man board of

directors. The board elects the following officers: President, Vice President, Secretary and Treasurer. The board also appoints the following committees which may include members of the board or members of the Institute who are not members of the board: Education Committee, Legislation Committee, By-laws and Regulations Committee, Ethics Committee, Disciplinary Committee, Convention Committee and Finance Committee. Some of these committees are standing committees; others are created as the need arises.

The Ontario Institute is affiliated with the Canadian Institute of Accredited Public Accountants, headquartered in British Columbia. Every member who is a paid up member of any Provincial Institute is also a member of the Canadian Institute. The Canadian Institute has available a course of study for A.P.A. students, but because of the restrictions on the charter of the Institute in Ontario, these courses are not available in this province.

II.5.3 Election of Board of Directors

The board of directors is elected annually by all members of the Institute on a mail ballot. The same procedure is followed for nominations of directors.

II.5.4 Services and Benefits

Given the size of the I.A.P.A., the number of services and benefits provided is limited. The Institute publishes an occasional newsletter and holds an annual convention in Ontario each May. A national convention is held in September and Ontario A.P.A.'s are active participants.

Members of the Institute have access to the professional development courses offered by the I.C.A.O.. A.P.A.'s are also eligible to

write the I.C.A.O. uniform final examination but few have elected to do so.

II.5.5 Code of Ethics, Rules of Professional Conduct and Disciplinary Procedures

The Institute does not have a code of ethics or rules of professional conduct in written form. Since the majority of the Institute's members are licensed, the Public Accountants Council initiates disciplinary action where necessary. If the A.P.A. members on the Council feel it to be warranted, the Institute's board of directors is called to set up a disciplinary committee which will then act.

On the matter of procedure for handling clients with complaints, the I.A.P.A. stated:

"While it is not common for clients to approach this Institute to complain about their relationship with a practitioner who is a member of the Institute, there have been cases where such complaints have been received. When such a complaint is received, a committee is appointed by the board of directors of the Institute to investigate the matter and to try to arrive at a mutually satisfactory agreement between the member and the client. Should this fail, the committee would make a report on its findings and any recommendations to the board, which would then take any action it deemed appropriate. Our board has no power to impose a settlement on a member without his consent.

A similar procedure is carried out with respect to disciplinary matters but in this area, the board does have the right to suspend or expel a member who is convicted of unprofessional conduct. We have rarely had any occasion to use this power." 36

II.6 Other Groups

II.6.1 The Institute of Internal Auditors

The Institute is an international organization headquartered in Orlando, Florida with two chapters in Ontario: Toronto and Ottawa. It is a voluntary association dedicated to the advancement of the individual doing internal auditing work, a specialized area within management accounting. At the present time, the Toronto Chapter's membership numbers approximately 370 and there are an additional 125 members in the Ottawa Chapter.

Individuals completing a course of study and passing an examination receive the designation C.I.A., Certified Internal Auditor. Roughly 1/4 of the present Ontario membership hold the C.I.A. designation but the majority of these members were founding members of the Ontario Chapters not graduates of the Institute's educational programme. The local Chapters have no formal educational programme as yet, but the Chapters provide a review course and texts to prepare interested members for the examination. Individuals who wish to undertake the Institute's programme must have a university degree or three years of auditing experience. Those holding R.I.A. or C.A. designations are also qualified. Cross-registration of individuals with C.A. and R.I.A. designations is extensive.

The local Chapters have not been involved in the licensing question or in the jurisdictional dispute between the C.A.'s and C.G.A.'s

in the province. However, the President of the Toronto Chapter has indicated that his group did have some interest in obtaining formal recognition for the designation C.I.A. and for the protection of that designation.

II.6.2 Auditing Technicians

Durham College of Applied Arts and Technology in Oshawa, offers an accounting correspondence programme covering accounting, auditing, law and economics. The programme is oriented towards the training of individuals engaged in routine accounting and auditing work within, primarily, C.A. firms. A copy of the career advertisement placed by the college in CA Magazine is included (Figure II.6). The course consists of the first three years of the old I.C.A.O. correspondence programme, rewritten under the supervision of the Institute and revised and updated by an Oshawa C.A. The audit technician programme has been in existence since 1969 and for the first three years, Durham College worked closely with the I.C.A.O.. At present, the programme is in limbo because of changes in the funding formula under which the community colleges receive grants. The Director of the Business Division stated that the three year programme attracts about 100 students per year from all of Canada but that only 8-10 graduate. Of the total number of graduates, about half are working in C.A. firms across Canada and half are in government. Given the current status of the programme and the small numbers graduating, it cannot be expected that audit technicians will play a significant para-professional role in the near future.

FIGURE II.6

DURHAM COLLEGE ADVERTISEMENT FOR
AUDITING TECHNICIANS

Audit Technician?

How much of your work is straightforward auditing and accounting? Are CAs (or CA students) handling it? Expensive, isn't it!

Wouldn't it be efficient if part of your staff were trained in accounting and auditing for specialization in this routine work?

Durham College is offering an Accounting Correspondence Programme covering Accounting 1, 2 and 3, Auditing 1 and 2, Law and Economics. Why not enroll some of your staff? Write for descriptive brochure.



DURHAM COLLEGE
OF APPLIED ARTS AND TECHNOLOGY
BUSINESS DIVISION
BOX 385, OSHAWA, ONTARIO

III. ENTRY INTO THE PROFESSION AND LICENSING FOR PUBLIC ACCOUNTANTS

The preparation of individuals to a high degree of professional qualification occupies a substantial portion of the resources of the professional associations. Of the six accounting groups discussed in the preceding section, three, the I.C.A.O., the S.M.A.O. and the C.G.A.A.O., are actively involved in the education of students. The Public Accountants Council, the statutory body, restricts itself to licensing for public accountants. The Institute of Accredited Public Accountants is prohibited by its charter from education and training of students. The Institute of Internal Auditors is considering making available the educational programme of its U.S. based parent group but is presently inactive in the training of students.

The following sections lay out the educational programmes of the three active bodies in the sequence in which entering students would be exposed to them: starting with formal education and proceeding through experience requirements, examination and post-certification education and licensing. Table III.1 on the following page provides a comparative overview of the educational programmes of the three active groups.

1. NAME	THE INSTITUTE OF CHARTERED ACCOUNTANTS OF ONTARIO	THE SOCIETY OF MANAGEMENT ACCOUNTANTS OF ONTARIO	THE CERTIFIED GENERAL ACCOUNTANTS ASSOCIATION OF ONTARIO
2. TYPE OF TRAINING PROGRAM	Minimum of 45 semester hours of required University courses + experience + professional courses + final exam.	Correspondence courses or evening lecture program or day-time community college lecture program or approved University courses + work experience + exams.	Lecture or correspondence courses + experience + exams.
3. ADMISSION REQUIREMENT	1. Undergraduate degree from a University designated by I.C.A.O. council 2. Conditional students (see text) 3. Mature students (see text)	1. High school graduation 2. Advanced standing (see text) 3. Mature students (see text)	1. High school graduation in Ontario or equivalent 2. Advanced standing credits for college courses 3. Mature student
4. CURRICULUM CONTENT	Financial Accounting 12 sem. hours Management Accounting 6 " Adv. Accounting Elective 3 " Auditing 3 " Taxation 3 " Computer Science 3 " Quantitative Methods 3 " Finance 3 " Economics 3 " Law 3 " Management 3 " 45	Five level - 18 course module curriculum . Accounting - 5 courses - 35% of program . Environ-mental studies - 3 " - 15% " . Law - 2 " - 10% " . Finance & Auditing - 2 " - 10% " . Computers - 2 " - 10% " . & Systems - 3 " - 10% " . Quantitative Methods - 1 " - 10% " . Management	Five level - 17 course curriculum . Accounting - 900 lecture & - 28.5% study hours . Law - 180 " - 8.5% . Communications - 60 " - 3.0% . Mathematics - 64 " - 4.0% . Finance . Statistics - 96 " - 4.5% . Information - 120 " - 5.5% & Computer Systems . Economics - 120 " - 5.5% . Taxation - 120 " - 5.5% . Auditing - 144 " - 7.0% . Financial - 120 " - 5.5% Controller-ship . Organizational - 120 " - 5.5% Behaviour . Options - 360 " - 17.0%

5. MINIMUM GRADE REQUIREMENT/ EXAMINATION ELIGIBILITY	Minimum grades for credit in Accounting, Auditing and Taxation.	Must complete 80% of assignments to be eligible for examination. Must attend 80% of lectures.	Must attain an average grade of 65% on assignments in each course to be eligible for examination. Allowed one non-submission and one late submission per course.
6. EXPERIENCE REQUIREMENT	2-3 years employment depending on educational programme in an approved practice.	2-4 years depending on exemptions. Experience gained concurrently with course work.	Maximum 4 years concurrent practical experience in an Accounting Financial position which satisfies the Undergraduate Experience Review Committee.
7. PROFESSIONAL COURSES	1. <u>School of Accountancy</u> Concentration on Adv. Auditing and Professional Practice, Adv. and Sp. Accounting and Taxation. 2. <u>Basic Staff Training Programme</u> Either I.C.A.O. sponsored or I.C.A.O. approved in firm training.	See (9) below	None
8. EXAMINATIONS i) TYPE ii) FAILURE RATE iii) ATTEMPTS PERMITTED	National, including comprehensive case-type paper 1975 - 34.5% Four	National - by course level (See text) Three attempts permitted in any level I or II subject	National - by course (See text) Four failures in a subject course is reason for withdrawal
9. SPECIALTY DESIGNATIONS POST GRADUATE EDUCATION	None See (10)	F.S.I.A. Advanced studies program in Financial Management (not active)	None None
10. PROFESSIONAL DEVELOPMENT PROGRAM	Program of courses available to members on a voluntary basis.	Courses available	<ul style="list-style-type: none"> . Additional undergraduate courses . Daytime and evening seminars . Courses of other professional groups . Chapter programs

<p>11. RECERTIFICATION</p>	<p>No formal provisions</p> <ul style="list-style-type: none"> Members suspended for disciplinary reasons may be required to attend refresher professional development courses and/or pass the auditing examination Studying mandatory practice inspection (Peer Review) Voluntary reporting of professional development activities - three year trial period 	<ul style="list-style-type: none"> Council approves in principle compulsory professional updating Adopting programme of voluntary updating 	<p>No formal provisions</p> <p>Voluntary reporting of professional development activities/maintenance of standards programme</p>
<p>12. SUPERVISORY BODY - PROGRAMME</p> <p>- EXAMINATIONS</p>	<p>1. Council is ultimate authority guided by Education Committee</p> <p>2. Interprovincial Education Committee and Board of Examiners</p>	<p>1. Educational Services Committee for Ontario (implementation and general administration)</p> <p>2. Educational Services Committee for Canada (content and length of programme)</p> <p>3. Central Examination Board (Sub-Committee of National Educational Services Committee)</p>	<p>1. National Co-ordinating Council on Education</p> <p>2. National Board of Examiners</p>

III.1 Formal Education

III.1.1 Length and Location of Training Programmes

The I.C.A.O. has described the historical development of its training programme in its comment on the C.G.A. petition. The description provides useful information about the historical development of the programme and is reproduced below:

1921-69: From 1921 until 1964 the prequalification programme of study leading to membership in the Institute (and the right to use the designation "chartered accountant") was conducted entirely by way of correspondence in conjunction with Queen's University. This instruction proceeded concurrently with a period of practical experience served in the office of a chartered accountant engaged in public practice. During this period, and subsequent thereto students were drawn from three main streams:

- (1) highschool matriculants;
- (2) graduates of university programmes
in commerce and business administration; and,
- (3) other university graduates.

The first suggested break from the correspondence method of study came in the 1962 Report of the Institute's Long Range Educational Planning Committee - commonly referred to as the Hutchinson Report. This report recommended among other things, the establishment of an Institute sponsored programme of summer schools to replace partially the existing correspondence course. As a result of this recommendation, and of further study by our Education Committee, a summer school programme was started in 1964. This programme developed quickly over the next five years, with a result that, in 1969, six Ontario universities took part. A total of some 1200 students attended Institute summer courses that year. These schools were contracted for with the universities and were on a self-sustaining basis, without taxpayer's support. This programme has now been phased out, having been replaced in 1970, for new student intake, by a completely revised approach.

New Programme - 1970: In the fall of 1970, the Institute implemented major changes in its educational programme based substantially, on a study made in 1967 by Dr. W.A. MacIntosh, then of Queen's University, at the request of the Institute. Dr. I. MacIntosh's central and most far-reaching recommendations were, largely, adopted by the Institute; they involved 'The ultimate transfer of all but a small professional portion of instruction to the universities, the retention of a service requirement of not more than two years and the retention

of the final uniform examination.' Our current programme thus accords with the principle of comparative advantage. In other words, the Institute simply recognizes the superior ability of the universities to provide:

- (1) General education in the liberal arts and sciences;
- (2) Business education, including an understanding of the business environment and the basic functional fields of business; and
- (3) Accountancy education, except for matters of obvious professional practice orientation.

Consistent with the principle of comparative advantage, the Institute provides instruction in the professional practice areas of auditing, taxation and advanced accountancy.

At the present time, the formal education requirement of the I.C.A.O. can be met by completing a prescribed series of university degree credit courses, totalling 45 semester hours of instruction. Students are given advanced credit for corresponding university work already completed. However, students are not required to obtain a degree in a specified, or business related, undergraduate field and a certain percentage of students enter the formal training programme following graduation in unrelated subject areas, (e.g., English, History). Additional information on admission requirements and regulations governing the training programme of the I.C.A.O. are given below.

In Ontario, a student may take subjects leading to the R.I.A. designation by home study using the correspondence method. Additionally, there are a variety of offerings of subjects involving lecture instruction. At eleven university and college locations, the Ontario Society contracts with the educational institutions to hire lecturers and to administer an evening lecture programme specifically for the S.I.A.O.. These students receive the same package of course material as do the correspondence students. Assignments are given by the lecturers and they are responsible for grading of the students submissions.

In Ottawa, on a three semester basis and in Toronto on a more restricted basis, the S.M.A.O. contracts with Community Colleges to provide a daytime programme with somewhat more lecture hours than are provided on the evening programmes. This programme is offered primarily as an accelerated programme for employees sponsored by federal government departments, and students can do their daytime work fulltime or part time depending on their government sponsorship. The Bureau of Staff Development and Training of the Public Service Commission has contracted with the Society to provide this programme, which is designed to prepare government personnel to achieve a financial management certificate granted by the P.S.C.. Arrangements are also available for persons earning the certificate to continue to a post-certificate part of the financial management programme which then leads them to an R.I.A. designation. Although designed particularly for federal government employees, others may attend this programme, and currently, over 20% of the students enrolled do not work for the federal government. These students also use the regular course material issued to correspondence students.³⁷

Starting in fall 1976, in co-operation with the faculty of mathematics at the University of Waterloo, a co-op programme has been offered leading to the R.I.A. designation. Students enrolled at the University alternate four months at school and four months working for an employer approved to provide acceptable practical on the job experience. Students who follow the recommended programme of studies at the University of Waterloo will, upon University graduation with acceptable grades permitting them to qualify for the maximum twelve exemptions available from course and examination, be required to complete only three

advanced R.I.A. subjects, provided they have passed three specific R.I.A. examinations while enrolled at University.

In fifteen other locations, students may attend lectures for some university subjects which are aligned in course content and depth of coverage with R.I.A. subjects. Credit is given by the Society whenever the students obtain a relevant post-secondary school credit. These courses are offered in co-operation with the S.M.A.O. and in many cases, Society's course material is used. Students on Manpower Retraining Programmes, primarily at George Brown College, who show a strong desire for and aptitude in accounting related work, may gain credits through enrolment in special classes at the college.

One or more of the lecture options referred to above are within easy driving distance for students in Thunder Bay, Sault Ste. Marie, Sudbury, North Bay, Ottawa and most of Southern Ontario. In more remote areas, students may study the programme by the correspondence method.

The Certified General Accountants formal education programme is a five level, six year programme of courses that may be taken either on a lecture or correspondence basis. Students are required to submit weekly assignments and pass examinations in each course before continuing on to a subsequent course. The Association describes the historical development of its educational programme as follows:

"After the charter (of the Certified General Accountants Association of British Columbia) was obtained, the Education Committee was in a position to discuss further the possibilities of a university conducted course. The school of Commerce at U.B.C. proved willing to recommend a C.G.A. course and to fill in the details from the outlines prepared by the Association. The course was produced and conducted by the U.B.C. Commerce Department, but financed and managed by the Association and copyrighted in its name. Initial development of the five year course took three years, being completed in 1954.

In 1956, the course was made available on a national basis through agreement between the National Association and the B.C. Association. It became the uniform C.G.A. education programme, required of all candidates for the designation C.G.A..

During the last twenty years, the programme has undergone continual revision, to meet changing conditions. Every course has been rewritten, some several times, to keep pace with business conditions, complexity and legislative developments. The course today is considerably longer than it was, and a number of new courses have been introduced over the years. The curriculum programme length, course standards and admission requirements come under the authority of two national committees - the National Co-ordinating Council on Education, and the National Board of Examiners, comprising representatives from each of the provincial C.G.A. Associations, and the university professors responsible for developing the course materials and marking the examinations."³⁸

The annual calendar of the C.G.A.A.O. describes their educational programme.³⁹ The individual courses are designed for self-study with written assignments. Lectures are given on the basis on one two-hour lecture per week during the academic year; however, attendance is optional. With the rapid growth of the Association, there has been an increase in the number of locations at which lectures are available. Current lecture centres are: Barrie, Belleville, Hamilton, Kingston, Kitchener, London, North Bay, Oshawa, Ottawa, St. Catharines', Sault Ste. Marie, Sudbury, Thunder Bay, Toronto (3), and Windsor. The lectures are given at colleges and universities in each location and the C.G.A.A.O. contracts with lecturers for each course.

III.1.2 Admission Requirements

It is an oversimplification to say that the admission requirement of the I.C.A.O. is university graduation while the R.I.A. and C.G.A. programmes admit high school graduates as students. In practice, each organization has a variety of streams within their programmes to

accommodate students of different educational backgrounds, ages, and levels of work experience. While the majority of students in each programme may follow the most direct path, individuals who delay in making a career choice or who identify career interest based on work experience are not precluded from achieving the designations within a reasonable length of time.

The I.C.A.O.'s adoption of university graduation as an entry requirement was controversial. Evidence of the controversial nature of the proposal is the long gestation period that was required between the initial consideration of university graduation as the admission standard and its final adoption. The admission requirement was first recommended in a 1959 report to the Education and Examinations Committee of the ten provincial Institutes of Chartered Accountants. At that time, only twenty-nine percent of newly registered students held university degrees, while seventy-one percent were high school graduates. The central recommendation of the 1959 report was subjected to careful scrutiny by a series of Institute Committees and has been the subject of other published reports.⁴⁰ Following considerable discussion, in 1969, the By-laws of the Institute were amended, with membership approval, to provide that after October 1, 1971 university graduation would become the basic student entrance requirement.

However, there is another requirement for admission to the I.C.A.O. training programme. Before a student is permitted to register for training, he or she must be employed by a public accounting firm approved by the Institute for the training of students. The approval of public practices is based on the breadth and depth of experience

available to students employed in them and is treated in Section III.2 below:

The paths to the C.A. designation available to individuals who do not hold a university degree are:

1. A high school graduate can register with the Institute as a student on a conditional basis, while employed with a C.A. firm and taking university degree studies part-time.
2. A high school graduate may also become a C.A. through a number of co-operative programmes, with alternating work/study semesters leading to a university degree and a C.A. Membership.⁴¹ There are now four co-op programmes in force - McMaster/MBA, Waterloo/Mathematics, Waterloo/Economics, and Wilfred Laurier/Business Administration.
3. Community College graduates may proceed as conditional students taking part time university studies with recognition of their college studies by a university. They may, also, approach membership through full time studies to complete a university degree, including the Ryerson B.Tech. programme.
4. A mature student provision exists for individuals generally, 25 years of age or over with proof of admissibility to a university degree course as a mature student and suitable accounting, business or work experience of three to five years duration.
5. The mature student path would be the one typically available to members of other accounting groups, including the S.M.A. and C.G.A. Association, that would permit them to enter the C.A. training path without completing a university degree. (See Table III.2).

Section 2 - Admission Requirements of the I.C.A.O. Members'

Handbook gives the detailed requirements for entry into the different paths of training leading to the C.A. designation. This section identifies three categories as special cases.

1. University graduates educated outside Canada. These individuals must demonstrate language proficiency, suitable results of the graduate management admission test (G.M.A.T.) and foreign educational documents for evaluation.

Conditional students, those students without a university degree who wish to study toward a degree while working full time must provide proof of employment and enrolment at a university.

3. Mature students, individuals who in addition to the requirements previously stated must also show satisfactory G.M.A.T. scores.

The accessibility of the I.C.A.O.'s training programme is of particular importance since the Institute is at the present time the only qualifying body for licensees in public accounting in the province.

The admission requirement section of the R.I.A. educational programme calendar states:

If you have graduated from high school, you will have normally achieved the academic minimum to enrol in the first level of the R.I.A. programme. If you have acquired university or college credits in R.I.A. course equivalents; you may be able to begin at an advanced level. Proof of academic standing (i.e., copies of transcripts) should be submitted with your application form. Mature students who do not meet academic qualifications will be considered for enrolment by the Provincial Registrar.

The S.M.A. has commented with respect to its admission standards:

When the Ontario Society applied for its Acts of Incorporation in 1941, it was the wish of the legislature that there be no barriers to admission, and that all persons should be able to enrol as students 'providing second chance education was the way they said it'. As a result, the Ontario Society has never rejected an application, if after counselling a person wished to enrol as a student member. However, the Society has felt it is only fair to identify the level or workload and the difficulty which students will encounter if they lack certain skills (e.g., a good grasp of basic mathematics) and/or practical experience. There must be no reason to believe the Society is misrepresenting what is required of a student simply to accept his course fee.⁴²

The C.G.A.A.O.'s requirements are as follows:

1. High school graduation in Ontario, or its equivalent.
(Exemptions from certain courses are available to Community College and University graduates to avoid duplication of training.)

TABLE III.2

NUMBER OF STUDENTS IN VARIOUS C.A. STREAMS
AND STUDENTS WHO ARE GRADUATES OF OTHER ACCOUNTING
BODIES

(a) Students - December 29, 1976

Co-op - Waterloo	453
- McMaster	6
Conditional	123
Mature	27

NOTE: The Institute also has 5 non-CA licensed public accountants who are registered as students in order to write the final examination and so qualify as CA's.

(b) Graduates of Other Accounting Bodies - December 29, 1976

CGA's	5	
RIA's	6	
CERTIFIED & CORPORATE (UK)	20	
INDIAN INSTITUTE	14	
PAKISTAN INSTITUTE	8	
CEYLON INSTITUTE	6	
	<u>59</u>	...2

2. Residence or domicile in Canada.
3. Algebra at the grade 12 or 13 level. (Those who do not have this basic minimum requirement must enrol and complete the Association's preparatory mathematics programme before enrolling in C.G.A. subjects).
4. Non-Canadian high school certificates or equivalents must be evaluated by the Ontario Ministry of Education.
5. If the applicant is not a high school graduate, he may be admitted as a mature student and must be at least twenty-one years of age on admission, have a minimum of two years of acceptable business experience, and must successfully complete the Association's preparatory mathematics course.
6. To enrol in the Ontario Association must live or work in the Province of Ontario at the time of enrolment.

III.1.3 Curriculum Content

A meaningful comparative assessment of the curricula of the three groups is beyond the scope of this appendix. However, it will be useful to reference and summarize the information on courses, course sequences, and subject matter which is prepared by each group on a regular basis for the benefit of its students. It is important to remember, however, the differences in the educational programmes of the three groups when assessing their curricula. With the exception of its professional courses, the I.C.A.O. no longer makes available instruction in core areas. Rather, semester hour requirements are stated, and university courses meeting these requirements are listed for the benefit of students. (Table III.3). The I.C.A.O.'s task, thus, is one of course accreditation rather than course preparation. Both the S.M.A. and the C.G.A.A.O. have developed course packages that are available from these groups either on a correspondence and/or lecture basis. These courses have, for the most part, been developed by academics who are specialists in the subject matter areas and like university courses (with which many

of them are equivalent) are periodically refined to reflect changes in emphasis and the addition of new materials. Table III.4 shows a comparison of the C.G.A. curriculum for 1956, 1966 and 1976.

Table III.1 at the beginning of this Section (page 78), provides a capsule summary of curriculum content for each group. A cursory examination of the curricula would suggest strong similarities among the subjects required of students. Substantive analysis of curriculum quality is made difficult both by the variety of the course offerings and by variations in the depth with which materials are covered and the rigour of exercises and examinations based on those materials. Only qualified subject matter specialists would be able to assess the relative merits of the course offerings in each curriculum. The accounting groups themselves undertake such comparisons for the purposes of granting advanced standing and exemptions to their own students and to students wishing to transfer from the training programmes of the other bodies. These topics are covered in the Section below.

III.1.4 Advanced Standings, Exemptions and Transfers

Since not all students enter the training programmes of the various groups at the same level or with the same academic background, there exist extensive materials on advances standing credits, exemptions, and transfer regulations. These policies have been developed for three main categories of student:

1. Students with some advanced academic training in required course subjects;
2. Students wishing to transfer between training programmes, and,
3. Students entering the province from other jurisdictions and

TABLE III.3

APPROVED UNIVERSITY COURSES

FOR C.A. STUDENTS

		Financial Accounting	Management Accounting	Auditing	Taxation	Computer science	Quantitative methods	Finance	Economics	Law	Management	Total				
University	University degree programme	12-15	6-9	3	3	3	3	3	3	3	3	45	Not offered	Deficiencies	Minimum grades	
Brock	B.A. (Admin.)	250 350 452*	250 401	—	451	190+191 or 311	191+192 or E290	401	E190	POL230	190	39	6	F.A., 3 Aud., 3	C —	
Carleton	B.Comm.	41.100 41.101 41.200 41.301* 41.306* 41.400*	41.100 41.102 41.325* 41.326*	41.312	51.324	41.390	43.220	43.250	43.100 or 43.101	51.220	43.358	45	0	—	C —	
Lakehead	B.Comm.	2063 0134 0532 0531	0532 0335*	3066	0233	033	2035	2062	3067	1100	3039	3068	42	3	—	C
Laurentian	B.Comm.	1105 2105 4136* 4137*	3105 or 3110 4156* 4167*	4127	4116	CS1000	C2605 or C3605	3205	E1000	4715	1000 or 3405 or 4005	45	0	—	C	
McMaster	M.B.A.	A601 A711 A714 A733* A718* A717*	A610 A724 A721* A726*	A731	P721	A723 or Q721 or Q722	Q605	F660	E620	P722	B710 or P710	45	0	—	B —	
	B.Comm.	2A3 2B3 3C3 4X3*	3A3 3G3 4G3	4A3	4F3	3H3 or 4D3	2E3	3D3	1A6	2C3	4B3 or 4J3	45	0	—	C	
Ottawa	M.M.Sc.	6135*	5103 6103	—	—	6104	6104	5107	5105	6130	5108	24	21	F.A., 12 Aud., 3 Tax, 3	C	
	B.Comm.	2242 3242 4342 4240*	3244	4343	4341	1101 or 3312	2313 + 2314	3350	1401	3360	1202	45	0	—	C	
Queen's	M.B.A.	811 915*	812 913* 914*	—	916	861	862	821	881	986	871	36	9	F.A., 6 Aud., 3	B	
	B.Comm.	111 315 316 318	112 313* 314* 317*	—	319	162	161	121	E110	381	101 or 353	42	3	Aud., 3	60%	
Ryerson	B.Tech.	ACC703* ACC704* ACC705* ACC706* ACC806*	ACC701 ACC801	ACC721	ACC042	DPG703 or DPG803	QMS042	FIN041	—	MGT722	MGT041 or MGT043	24	21**	—	B	
Toronto	M.B.A.	1021X 2205X 2206X 2201X*	1022X 2200X 2202X*	—	2204X	1080X	1081X or 1071X	1030X	1010X	2008X	1062X	42	3	Aud., 3	1st yr. B — 2nd yr. B	
	B.Comm.	100 320 326* 420*	221F 222S	327	423	CSC108 or 118 or 148F or 158S	ST242	331 or 421 or 337F + 437S	E100 or 102	300	332 or 441F or 442S or 401	45	0	—	C	
Wilfrid Laurier	B.A. (Hons.)	227 487* 387 397 457*	247 or 453 + 467	477	363	115	255 + 275	383 + 393	E100	216	111 + 121	45	0	—	C —	
Western	M.B.A.	507 617 627*	507 607* 657*	637	—	696 or 506	506	503	505	650	600	39	6	F.A., 3 Tax, 3	2	
	B.A. (Hons.)	257 417 427*	307 407* 457*	437	—	306 or 496	306	303	E020	450	M020 or 400	39	6	F.A., 3 Tax, 3	C	
Windsor	M.B.A.	4151C 4152C 252C 352C 353C* or 532*	256C 356C	460C	461C	314C	4105C or 4205C	4271C	4001C	397C	498C	45	0	—	II	
	B.Comm.	151C 152C 252C 352C 353C*	256C 356C	460C	461C	311C or 314C	105C or 205C	271C	102	397C	498C	45	0	—	C	
York — Atkinson College	B.A. (Hons.)	AD250.3 AS350 AS451.3* AS452.3*	AD251.3 AD351.3 AD352.3*	AD355.3*	AS356	CS240 or CS241	EC348 or MA243	AS353.3 + AS354.3	EC241	AS347	AD40.3 or AD311.3 or AD401.3	45	0	—	C	
York — Faculty of Administrative Studies	M.B.A.	605 610 615 620* 625*	500 640 645* 648*	660	670 or LW208.3	MGTS671	MGTS500 or MGTS501	FINE500	ECO511 or ECO521	POEN620 or LW202.4	BEHS500 or BEHS501	45	0	—	B —	
	B.A. (Hons.)	300 410 415 420*	302 440 448*	460	470 or LW208.3	MGTS471	MGTS300 or MGTS301	FINE300	EC0311 or ECO321	LW202.4	BEHS300 or BEHS301	45	0	—	C	

wishing to complete their formal education requirements here.

With the exception of transfers between training programmes, the situation in which the bodies find themselves are somewhat different. The I.C.A.O. is primarily concerned with the approval of subjects given by different universities in the province. Both the S.M.A.O. and the C.G.A.A.O. are faced with the problem of determining equivalency of university or college courses to their own programmes. The S.M.A.O. has developed a list of exemptions for each university and college in the province and handles transfers from other jurisdictions on an individual basis.⁴³ The C.G.A.A.O. evaluates each student's transcript on its own merits.

Perhaps the most controversial issue in the area of formal education is that of transfers between training programmes and the advance standing credits granted to students seeking such transfers. Since the I.C.A.O. is the only qualifying body for future public accountants, students who wish to practise as licensees must, under the current provisions of the Act, pass the final examination of the I.C.A.O.. To do this, they must satisfy the educational requirements of the Institute before writing the examination. In 1972, the I.C.A.O. commissioned a study of the various programmes by J.R. Hanna, Ph.D., M.B.A., C.A., Associate Dean of the Faculty of Business, McMaster University, who surveyed the relevant course material and had discussions with the directors of education of the then S.I.A.O. and C.G.A.A.O.. The report prepared by Dr. Hanna was used by the Education Committee of the Institute in its discussion that led to the establishment of advanced standing credits for students and graduates of the R.I.A. and C.G.A. programmes.⁴⁴

TABLE III.4

C.G.A. CURRICULUM

Level	1958		1966		1976	
	Course	Weeks	Course	Weeks	Course	Weeks
I	Accounting (general)	14	Accounting (general)	14	Accounting (general)	15
	Business Mathematics	9	Mathematics of Finance	9	Law - Business & Statute	15
	English	5	English	5	Communications	5
		28		28		35
II	Accounting (financial)	15	Accounting (financial)	15	Accounting (financial)	15
	Mercantile law	7	Mercantile law	7	Mathematics of Finance	7
	Business Mathematics	6	Managerial Statistics	6	Managerial Statistics	8
		28		28		30
III	Accounting (advanced)	11	Accounting (advanced)	11	Accounting (cost)	10
	Auditing	5	Business Finance	5		
	Office Management	6	Management & Systems	6	Information & Computer Systems	10
	Economics	6	Economics	6	Economics	10
		28		28		30
IV	Income Tax	7	Income Tax	6	Taxation	10
	Auditing	6	Auditing	12	Auditing	12
	Accounting (cost)	10	Accounting (cost)	10	Accounting (advanced)	10
	Corporation Finance	5		28		32
		28				

<u>Level</u>	<u>Course</u>	<u>1956</u>	<u>Weeks</u>	<u>Course</u>	<u>1966</u>	<u>Weeks</u>	<u>Course</u>	<u>1976</u>	<u>Weeks</u>
V	Accounting (specialized)	16		Accounting (specialized)	11				
	Auditing & Investigations	7		Auditing	7		Organizational Behaviour	10	
	Statute Law	<u>5</u>		Statute Law	5				
				Controllershship	<u>5</u>		Financial Controllershship	10	
		<u>28</u>			<u>28</u>		Options*	30	<u>50</u>
		<u>140</u>			<u>140</u>			<u>177</u>	<u>---</u>
	TOTAL WEEKS								

* OPTIONS

<u>Financial Accounting</u>	<u>Controllershship</u>	<u>Taxation</u>
Advanced Accounting 10	Advanced Accounting 10	Advanced Taxation 10
Managerial Auditing 10	Managerial Auditing 10	Advanced Auditing 10
Business Policy and Administration 10	Advanced Finance 10	Business Policy and Administration 10
<u>30</u>	<u>30</u>	<u>30</u>

Auditing

Advanced Taxation 10
Advanced Auditing 10
Managerial Auditing 10
<u>30</u>

The conclusions of the Education Committee were communicated by letter on April 17, 1973 to the respective presidents of the S.I.A. and C.G.A.A.O.. The letters stated that an R.I.A. member or student would have to complete an additional twenty-four semester hours of university degree credit courses as well as additional Institute requirements. C.G.A. students were required to complete an additional thirty semester hours of university degree credit courses. The Institute indicated that it would review this advanced standing policy as changes occur in the C.A., R.I.A. and C.G.A. programmes.

With respect to its own programme, the S.M.A.O. has developed recommended exemption guidelines for members of other professional accounting organizations both Canadian and foreign seeking the R.I.A. designation. The exemption guidelines as of June, 1975 are shown in Table III.5. The C.G.A.A.O. has not prepared specific transfer guidelines but evaluates individuals on a case by case basis.

III.1.5 Attrition and Failure Rates

Information on the failure rates for the I.C.A.O. school of accountancy and the final examination as well as overall training attrition for the five year period 1971 to 1975 is reviewed in the appropriate sections below.

The C.G.A.A.O. has analysed the enrolment and examination statistics for the years 1972 to 1976 inclusive as shown in Table III.6. Its analysis of the overall success rates from level to level of its

TABLE III. 5

THE SOCIETY OF INDUSTRIAL ACCOUNTANTS OF CANADA

RECOMMENDED EXEMPTION GUIDELINES – PROFESSIONAL ACCOUNTING ORGANIZATIONS

ASSOCIATION		P. of A.			Econ.			R.W.			D.P.			B.M.			A.T.&P.			C.L.			O.B.			Tax.			A.C.D.			Q.M.I			Q.M.II			A.M.P.C.			F.M.			ST.C.I.			O.A.			I.S.			M.P.&P.																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																													
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NOTES:

1. When determining exemptions for candidates with a "C.A." (Canada) designation, it may be necessary to give consideration to the candidate's undergraduate university degree. ✓
2. Applications from candidates with a foreign designation may be forwarded to the Educational Services Department at National Office for exemption determination.
3. Students are given credit for successful completion of the course by parts or stages.

TABLE III.6

Course	Enrolled		Dropout		Wrote Exams		Failed		Passed		
	#	%	#	%	#	%	#	%	#	% Wrote	% Enrolled
101	4,965	23	1,128	77	3,837	21	1,051	21	2,786	73	56
108	6,959	32	2,199	68	4,760	13	938	13	3,822	80	55
202	2,969	37	1,090	63	1,879	23	680	23	1,199	64	40
203	3,548	42	1,474	58	2,074	25	883	25	1,191	57	33
221	4,782	27	1,313	73	3,469	25	1,182	25	2,287	66	48
304	1,152	25	292	75	860	10	116	10	744	87	65
311	3,371	13	429	87	2,942	35	1,185	35	1,757	60	52
315/25	1,944	26	498	74	1,446	15	293	15	1,153	80	59
401	2,145	16	338	84	1,807	27	578	27	1,229	68	57
409	2,317	27	627	73	1,690	20	473	20	1,217	72	53
417	1,473	17	244	83	1,229	14	207	14	1,022	83	69
500	256	5	14	95	242	7	18	7	224	93	88
501	1,428	10	139	90	1,289	16	224	16	1,065	83	74
507/17	923	14	132	86	791	13	117	13	674	85	73
509	95	10	9	90	86	14	13	14	73	85	76
516	1,508	9	133	91	1,375	19	286	19	1,089	79	72
557											
600											
616											

Insufficient meaningful data - newly introduced courses

programme yielded the following results:

Level 1	-	51% to Level 2
Level 2	-	72% to Level 3
Level 3	-	76% to Level 4
Level 4	-	77% to Level 5
Level 5	-	94% graduate.

These percentages reflect the success rates taking into account supplemental examinations and repeat privileges, as well as direct entrance at various levels.

The S.M.A.O. has indicated that about 18 percent of those entering the programme end up as graduates. The Society reports that:

There is no formal screening done by the Society other than to delete those students who continue to fail their examinations, or who obviously not seriously working at their studies (taking no subjects for six or more consecutive semesters). Some government departments do use a formal test as part of a screening process to determine which employees the department will sponsor onto the programme.⁴⁵

III.1.6 Relationship of Educational Institutions to Professional Organizations

The background on formal education provided in Section III.1.1 gives some indication of the relationship between the accounting bodies and the educational institutions in Ontario and the rest of Canada. None of the accounting groups providing training programmes have direct affiliations with individual educational institutions. Rather, they make extensive use of academic personnel in the design, evaluation and restructuring of their course offerings and requirements. For example, the I.C.A.O. has on its Education Committee academics who are also C.A.'s. In addition, the Institute visits accredited universities

in the province to evaluate their programmes on a regular basis and meets with concerned academics to discuss education related issues. The Education Committee of the I.C.A.O. has also used consultants from the academic community to assist it in making changes in its training programme.

As already indicated, the S.M.A.O. convened an international conference of academics in 1970 to review the Body of Knowledge document that it had prepared and to suggest modifications before a revised training programme was set in place. The central examination board of the S.M.A.O. comprises twenty members of whom only half are Society members, most of the non-members being academics. Its composition is designed to include expertise in all subject areas.

The C.G.A.A.O. through its National Council on Education, employs academics to design the individual courses of its training programme. Examiners for the Association are also frequently academics as are many lecturers with whom the Association contracts.

In addition, the Canadian Region of the American Accounting Association and the Canadian Association of Administrative Sciences, Accounting and M.I.S. Division, both of which are voluntary groups of academics in the accounting and management fields participate indirectly with the professional associations in the preparation of their formal education and training programmes.

III.2 Experience Requirements

All three professional groups require demonstrated work experience before their respective designations are awarded to students. However, they vary on whether they:

- (a) Approve the practice or place of employment in which the

experience is obtained, or

(b) Approve the actual experience of the individual student, or

(c) Require approval of both.

The I.C.A.O. reviews and evaluates both the practices in which the students receive experience and the student's experience itself. By-law 94 of the I.C.A.O. states:

1. Every student registered prior to October 1, 1971 on the basis of having, at the date of his registration, the then existing minimum educational requirements of the Institute shall, as a prerequisite to admission to the membership of the Institute, serve full-time as a student for a minimum period of five years in the office of a practising member or eligible licensee.

2. Every student registered on the basis that he is a graduate of a university designated by the Council, or of an educational institution deemed by the Council equivalent thereto, shall, as a prerequisite to admission to membership of the Institute serve full-time as a student in the office of a practising member or eligible licensee for a minimum period of three years, which period may be reduced by a period of up to one year for such students as meet the requirements set out in regulations prescribed from time to time by the Council.

3. The Council may by regulation prescribe minimum period of such service required prior to writing of examinations and for the continuity of such service.

By-law 96 states:

1. Every practising member who employs one or more students is responsible for giving such practical experience and instruction and for affording such opportunities as are necessary to enable the student to acquire the art, skill, science and knowledge of the chartered accountant.

2. No practising member shall be considered qualified to employ one or more students unless he maintains an office in keeping with the standard of dignity as determined by the Council and unless such member is engaged in public practice of a nature which in the opinion of the Council will afford the student proper practical experience and instruction.

3. Every practising member who employs one or more students shall maintain records showing in reasonable detail, the disposition of each student's time while so engaged, the type of work allocated to him and the rate of pay received by him.

4. The Council shall have the power to make whatever investigation it deems necessary including an inspection of the books and records of the member, to satisfy itself that the member is complying with the requirements of this By-law.

By-law 97 amended June 10, 1974 states:

No practising member shall offer employment to any person who intends to apply for registration or re-registration as a student, and no applicant shall be registered or re-registered (a) unless the office of the practising member in which the applicant is to be employed is, in the opinion of the Council (such opinion to be secured in advance), qualified to give him proper practical experience and instruction, or (b) if as a result of such registration or re-registration, the total number of students employed in such office would exceed three for each member or for each eligible licensee, as the case may be, in such office or such lesser number of students as may be set by the Council in particular cases; students who have completed their required period of service and have written the final examination shall be excluded in determining the number of students permitted.

Section 4 of the Regulations respecting students deals with the practical experience requirements for different categories of students.

The preamble to the section states:

Full-time service as required by the By-laws means that the student must be engaged on a regular basis during his employer's normal working hours. Employment must be of a continuing, permanent character, but this shall not deny the right of an employer to grant a leave of absence.

The practical experience requirements for students are listed in the accompanying table, (Table III.7)

Firms who wish to train students of the Institute must make an application for practice approval. This application requires them to give information on clients, staff and the fees earned by staff classification. These applications are reviewed by the Experience Appraisal Committee which is responsible for the approval of practices.

Firms may seek either to employ students for the first time or to increase their limits on the number of students that may be hired. The Committee also considers re-applications arising, for example, as a result of major partnership changes. It should also be noted that the Committee has a continuing reappraisal programme under which all existing approved offices are reappraised on a four-yearly cycle. The practice approval guide issued by the I.C.A.O. states the Committee's approval criteria as follows:

In assessing an office for approval to employ students, the Committee is essentially reviewing the practice and its clientele to determine if it has the necessary diversity in experience opportunity. It is recognized that the quality of training could vary from one practitioner to another, even with the same clients. Obviously, time spent as "in charge" of an audit is far more valuable in developing auditing judgement than the same hours spent working on a single aspect (example: prepaid expense) of an audit. Also the use of 'non-chargeable' time can be important to a students training.

Even though these factors (quality and use of non-chargeable time) cannot be measured as readily as chargeable hours are, they are nonetheless taken into account and are important in the approval of a practice.

The Committee, in assisting the Council in administering the practice approval process laid out in By-law 97, investigates the office of practitioners employing their first student and also investigates an office when additional students are to be employed, beyond the limited number previously approved. Generally, the investigation procedure begins with the request for the practitioner to provide information, in confidence, concerning his practice. Following review of the information by the Committee, a visit to the office by members of the Committee may be required to ensure that the practitioner understands his responsibilities to students and that his practice has sufficient diversity in clients and services to give the necessary experience.

PRACTICAL EXPERIENCE REQUIREMENTS FOR I.C.A.O. STUDENTS

"The practical experience requirements for students are:

1. 'Conditional' students (see 'Admission Requirements' Reg.2:00) are required to serve until a university degree is obtained. At that time an assessment will be made of the practical experience served, and of any additional period required, taking into consideration the student's advanced standing at that time.
2. 'Mature' students will be dealt with on an individual basis at the time of seeking registration with the Institute.
3. Students registered conditionally with the Institute and with the University of Waterloo in the 4-year Honours Co-operative Mathematics programme for chartered accountancy candidates, will be required to serve a minimum of three years, of which at least twelve months must follow the completion of the degree programme.

For other students the practical experience requirements are:

For students registered prior to January 1, 1976

4. MBA graduates of designated universities, or graduates of a degree which in the opinion of council is equivalent thereto, or those graduates of such universities who have at least 39 of the 45-semester hour requirement at the time of registration, are required to serve a minimum of two years.
5. Other university graduates, normally, are required to serve a minimum of three years. If, however, a student to whom the three year minimum applies should pass the final examination before completing his term of service, he will not be required to serve more than one year beyond the date of such final; but he must serve a total of at least two years.
6. Students registered with the Institute and with McMaster University in the MBA Co-op programme will be required to serve a minimum of 30 months of practical experience, of which at least 18 months must follow the completion of the MBA degree.

For students registered on or after January 1, 1976

7. University graduates are required to serve a minimum of three years (except as set out in 8. and 9. below).
8. University graduates who have at least 39 hours of the 45-semester hour requirement by September 30th of the year in which their experience requirement commences, and who present by that date either a score of 550 or more in the total scale of the graduate management admission test (GMAT, formerly the ATGSB), or a score of 450 or more in the total scale of the GMAT together with an overall transcript average of any gradation of A or the equivalent thereof, for the last ten full courses or equivalent completed at university prior to registration as a student of the Institute, or who have standing deemed equivalent by the education committee, are required to serve a minimum of two years only.
9. Students registered with the Institute and with McMaster University in the MBA Co-op programme who meet the requirements for 8. above except for the 39 hours of advanced standing, will be required to serve a minimum of 30 months of practical experience of which 18 months must follow the completion of the MBA degree.

Those students not meeting the requirement must serve 36 months practical experience of which 24 months must follow the completion of the MBA degree.

Students are required to keep a record of their practical experience in order to obtain a practical experience certification. This record is a listing of the chargeable hours during which the student has been employed in a variety of accounting related work. In addition to the record of chargeable hours, the student must submit a signed certification that he has met the practical experience requirements. The certificate must be supported by either:

- (a) a statement from one employer attesting that the minimum practical experience requirements have been met; or,
- (b) statements from two or more employers attesting to the practical experience hours he has obtained while in their employ, which must aggregate at least the total minimum practical experience requirements.

For Institute students registering after January 1, 1976, the I.C.A.O. Council approved a change in the method of monitoring practical experience. This new requirement was approved by Council on the recommendation of the Special Committee on Practical Experience; essentially it specifies that in addition to the required years of experience a student should have a minimum total hours in certain core areas.⁴⁶

The C.G.A.A.O. also sets out experience requirements for its undergraduate students. (Undergraduate meaning those who have not yet attained the C.G.A. designation). The 1976/77 calendar of the Association lists the experience requirements for its students. On the subject of experience the calendar states that:

- (a) "An undergraduate must obtain concurrent practical experience in an accounting financial position which satisfies the Undergraduate Experience Review Committee. Those wishing to enrol in the C.G.A. programme may be employed in accounting in industry, commerce, government, or public auditing. (The Association expects its undergraduates to progress and upon certification to qualify for the top financial positions in their organizations. For this reason, employment as a

'technician' in a public accounting firm is considered to be inadequate training for a C.G.A. undergraduate, unless the employing firm files with the Association an undertaking to provide the undergraduate with business experience deemed adequate by this Association.

- (b) The Undergraduate Experience Review Committee will determine by investigation whether or not an applicant's employment affords training acceptable to the Association. The progress of an undergraduate may be delayed if he changes from approved employment to a new position which does not provide adequate training."

The Administration Guide and Regulations for Undergraduates

issued by the Association profiles the type of experience expected of students at different levels of the programme. The 1975-76 annual report of the Association gave statistics on the work of the Undergraduates Qualification Committee:

	Level 2	Level 4	Finalists	Total
Undergraduates scheduled for review	1,086	581	389	2,056
Assessments to date				
Acceptable	871	341	342	1,554
More information required	—	—	14	14
Conditionally acceptable	11	123	—	134
Unacceptable	25	64	—	89
Evaluations not completed	179	53	33	265

The S.M.A.O. also requires practical experience to be demonstrated of its students.

order to be admitted as a registered member (R.I.A.), a student must also satisfy practical work experience requirements. Guidelines are established and a schedule of typical work categories identify credits allowed. Practical work experience must total 2 to 4 years at an acceptable level, depending on the number of course exemptions with which a student enters the course of study. Although the Ontario Society does not consider that work experience and formal education can be equated accurately, both are certainly maturing factors, hence the allowance for students with a significant number of exemptions.⁴⁷

The S.M.A.O.'s Guidelines for Work Experience required for admission into registered membership are in draft form and will be refined as experience is gained with them. The Society does not expect that the guidelines will become firm until 1980. One problem encountered is equating level of service in some government operations with positions in business.

In the context of discussing work experience requirements, it is worth noting the co-operative university programmes leading to the C.A. and R.I.A. designations described earlier (pp. 83, 87). Students in the co-op programmes alternate work experience with academic training. This allows them to complete their academic and experience requirements in a short overall period of time. As an example, students following the R.I.A./mathematics programme at Waterloo spend alternately four months at school and four months working for an employer approved to provide acceptable practical experience. Upon university graduation with acceptable grades permitting them to qualify for the maximum twelve exemptions available from course and examinations, such students be required only to complete three advanced R.I.A. subjects, provided they have passed three specific R.I.A. examinations while enrolled at the university.

Students registered conditionally with the I.C.A.O. and with the University of Waterloo in the programme for chartered accountancy candidates are required to serve a minimum of three years, of which at least twelve months must follow the completion of the degree programme. A large number of students are thus in a position to attempt the C.A. final examination as little as twelve months following university graduation. C.A. students in the McMaster University M.B.A. co-op programme are required to serve a minimum of thirty months of practical experience of which at least eighteen months must follow the completion of the M.B.A. degree. Similar requirements have also been developed for students in the Waterloo/Economics and Wilfred Laurier/Business Administration programmes.

III.3 Entry into the Profession

Upon completion of their course and experience requirements, students in the R.I.A. and C.G.A. programmes have essentially completed their graduation requirements. They are ready to receive their designation. Students in the R.I.A. programme must obtain the sponsorship of two registered members in good standing and pay a graduation fee of \$75 and the appropriate membership dues before the designation is awarded.

The same does not hold true for students studying in the C.A. programme. In addition to completing the formal education and experience requirements of the I.C.A.O., students must;

1. Complete a one-week staff training programme sponsored by the Institute. Students must take this course during the first nine months of registered service, with exemptions for an equivalent 'in-house' firm programme.
2. Complete the Ontario Institute's School of Accountancy, an Institute sponsored summer school of four and a half weeks duration. And,

3. Pass the Canada-wide C.A. final examination. (This examination cannot be attempted until the minimum forty-five semester hours of university studies have been completed as well as the school of accountancy and at least two years of practical experience for students whose total required experience is three years or at least one year of practical experience for students whose total required experience is two years.)

The basic staff training programme is covered in Section 5.10 of the Students' Regulations. All new students registering after December 31, 1973 are required to complete the course within nine months of the commencement of the employment with a practising firm. Students who do not comply within the nine month requirement do not receive credit for any practical experience after the nine months and further practical experience is not recognized until after the staff training course has been completed.

All registered students are required to attend and successfully complete the Institute's School of Accountancy prior to writing the uniform final examination (Regulation 5.40). To be eligible to attend the School of Accountancy a registered student must:

1. Have completed all the semester hour requirements prescribed by the Education Committee.
2. Have at least five months registered service immediately preceding the School of Accountancy. And,
3. (a) If registered prior to January 1, 1976:
demonstrate that he will have a minimum of one year's registered service by the date of the next uniform final examination, (of which nine months must immediately precede the day of such examination).
- (b) If registered on or after January 1, 1976:
demonstrate that he will have no more than one year of his required term of registered service remaining by the date of the uniform final examination he plans to write and that he will have nine months of continuous service immediately preceding the date of such examination.

The Institute's School of Accountancy concentrates on areas of advanced auditing and professional practice, advanced and specialized accounting, and taxation. The emphasis is on certain areas which the student is not expected to have covered in his university courses and on aspects of the professional practice of accounting which the student should have mastered by the time he qualifies as a chartered accountant. If the student fails to demonstrate adequate comprehension of the subjects covered at the School, he or she is ineligible to write the uniform final examination and will be required to repeat the School or take other such action as may be prescribed by the Education Committee.

In 1976, the examination procedures at the School of Accountancy were modified. Until then, the standing of students had been determined on the basis of aggregate performance on all subjects. Since 1976, successful completion has still required the attainment of a satisfactory aggregate grade but in addition, a minimum standard is required in each of the subject areas. Those students failing to achieve a minimum standing in a subject area while achieving the required aggregate are required to repeat the failed subject at a subsequent School. Following prior practice, students failing to achieve the required aggregate performance are required to repeat the entire School. Approximately 950 students attended the 1976 summer school.

Numbers attending and failure rates at the school have been as follows:

<u>Year</u>	<u>Number attending</u>	<u>Failure rate for those sitting school exams</u>
1973	489	17.2%
1974	669	16.7%
1975	824	16.9%
1976	950 (Approx.)	23.0%

The C.A. final examination is uniform throughout Canada. The papers are set and marked on a Canada-wide basis through an inter-provincial Education Committee and Board of Examiners. The examination consists of four papers, one being devoted to a comprehensive, case type problem, a relatively new approach to examining C.A. candidates. The C.A. profession's use of this type of "comprehensive" paper has been studied at the request of the C.A. Institutes by a distinguished accounting academic, Dr. David Solomons D.Sc. B.Com. F.C.A. (England and Wales), Chairman of the Accounting Department, University of Pennsylvania and author of the U.K. study "Prospectus for a Profession". The uniform final examination syllabus adopted by the provincial Institutes of Chartered Accountants has three functions:

1. To guide those concerned with the development of suitable courses of education for the student chartered accountant;
2. To provide a framework for the Board of Examiners; and,
3. To inform the student of the areas in which he can expect to be examined.

Prior to 1971, the uniform final examination consisted of six papers (3 accounting papers, 3 auditing papers) of four hours each, totalling 24 hours. The examination candidate had to secure a passing mark on each of accounting and auditing to pass the whole examination.

If he passed only one of the two subjects he was normally entitled to write a "supplemental" in the failed subject within three years.

Acting through the Interprovincial Education Committee, the provincial Institutes of Chartered Accountants in Canada agreed in April 1970 to make three kinds of changes in the uniform final examination:

- (a) Structural changes
- (b) Subject matter syllabus changes
- (c) Changes in the types of questions.

The division of the examination into accounting and auditing papers was ended in 1974. Because of this, supplemental privileges were phased out.

Changes in the types of questions making up the examination began in a preliminary way in 1970 and reflect three main trends:

1. An increasing emphasis on current literature;
2. The introduction of comprehensive problem situation questions and increasing emphasis on multi-subject matter questions already discussed; and,
3. A decreasing emphasis in single subject matter questions.

The final examination may be attempted on four separate occasions before a student is required to discontinue. In other words, a student may have three unsuccessful attempts and still qualify on the fourth attempt. The failure rates of students on their first attempt at the final examination is given in Table III.8. The Table shows the different failure rates between university graduates in Commerce, other university graduates and grade 13 students carried over from the old programme. In 1976, 1,066 candidates attempted the final uniform examination and 654 or 61.3% passed the examination.

TABLE III.8

FAILURE RATES OF I.C.A.O. STUDENTS ON THEIR
FIRST ATTEMPT AT THE UNIFORM FINAL EXAMINATION

	University Grads B. Com in Inst. 2 Yr. Program	University Grads (Other)	Others (Incl. Gr.13)	Overall
1971	37.8%	35.5%	49.6%	39.5%
1972	36.8%	36.8%	59.8%	33.6%
1973	33.8%	32.4%	55.9%	40.0%
1974	35.1%	35.6%	51.0%	38.8%
1975	33.5%	30.9%	53.1%	34.5%

Source: I.C.A.O. submission to Professional Organizations Committee,
August 6, 1976.

Training attrition (voluntary and involuntary withdrawals from training) for the five year period 1971 to 1975, as indicated by the I.C.A.O., is seen in Table III.9. This analysis shows that in the majority of cases, discontinuations were the result of voluntary withdrawals and not repeated failures at Institute examinations.

Registered students of the I.C.A.O. who complete the requirements and pass the final examination become members of the Institute upon payment of the prescribed fees and receive the designation C.A..

III.3.2 Provisions for Entry of Extra-Territorial Professionals

All three designations - C.A., R.I.A., and C.G.A., - are national in scope and individuals who are members of one provincial organization would typically have no difficulty in obtaining membership with other provincial associations. That is to say, for example, a C.A. who relocates from another province to Ontario and is a member in good standing of the Institute in his previous jurisdiction would be admitted to membership in the Ontario Institute.

The following provisions apply to individuals who have held accounting designations outside Canada. I.C.A.O. By-law 12(c) states that:

The Council may by resolution admit to associate membership of the Institute any person of good moral character, who:

- (c) is or has been a member of a corporate body outside Canada having similar objects to the Institute, provided that:
- (i) the applicant is a resident of Canada and is recommended for admission by two members of the Institute, and

Table III.9 Analysis of Student Performance for the 5 year period 1971-75.

Registered students at Jan 1, 1971 2795

ADD: registrations of students as follows -

calendar 1971	643	
" 1972	683	
" 1973	945	
" 1974	1125	
" 1975	1152	4548

	7343
LESS: registered students at December 31, 1975	3560

= number who have ceased to be students in 5 year period	(A) 3783
---	----------

Accounting for students (A) above:

1. Admitted to membership	2474
Passed final examination '71	402)
" " " '72	506)
" " " '73	528)
" " " '74	567)
" " " '75	634)
	2637)
less awaiting completion of service - still students on Dec. 31/75	163)
2. Discontinued - involuntary (repeated failures at Institute examinations)	137
3. Discontinued - voluntary withdrawal	1172
	3783

In a 5 year period, therefore, 137 students in all were discontinued because of repeated failures in Institute examinations and 1172 voluntarily withdrew from training - on average 27 involuntary and 237 voluntary, respectively, per year. The reasons for voluntary withdrawals would include loss of interest, change in career thinking, inability to meet university degree-credit standards in the subjects of the CA programme taken at university on either a part-time or co-op studies basis.

Source: Information and analysis supplied by I.C.A.O.

- (ii) the Council considers the standards attained by the applicant for admission to such corporate body to be acceptable in lieu of the final examination of the Institute, provided that if such standard is not so acceptable, the applicant shall first pass the final examination of the Institute and further provided that if such standard is acceptable in lieu of the final examination of the Institute the applicant shall first pass such examinations in Canadian law and Canadian taxation as may be prescribed by the Council; and,
- (iii) the Council is satisfied that the applicant would be a desirable member of the Institute and has had sufficient practical experience in public accountancy.

The assessment of foreign qualifications is performed by the Institute's national body, the C.I.C.A., assessments being the responsibility of the International Qualifications Appraisal Board. No formal reciprocity exists with foreign accountancy bodies, but the Institute exempts, from the final examination, applicants from the Institutes of Chartered Accountants in England and Wales, Scotland, Ireland, Australia, South Africa and New Zealand, and Certified Public Accountants of the United States.

The I.C.A.O. has also maintained on a manual basis, statistical data over a 13 year period (1963-1975) on potential students educated outside Canada. Of 1,139 potential students who enquired, 987 were found to have qualifications equivalent to those required of a Canadian educated applicant and were thus eligible to register; the remaining 152 were found not eligible. Of the 987 found eligible, 488 actually registered in the Institute programme; an analysis of these figures, by year and country is given in Table III.10.

The By-laws of the C.G.A.A.O., Article 3, Section 2(d) sets out the provisions for certification of extra-territorial professionals:

- (d) Any qualified member in good standing of a sister or affiliated association in Canada, Great Britain or the United States of

America, who takes up residence in Ontario, may apply for admission to membership in the Association. Upon satisfactory evidence that his membership in such Association was secured by examination, he may be admitted as a certificated member subject to ratification by the members, provided always that the Association of which he was originally a member extends the same privilege to the certificated members of the Association.

The C.G.A.A.O. does not maintain statistics regarding admission to the course of study by country of origin.

The By-laws of the S.M.A.O. do not explicitly cover the question of extra-territorial professionals.

The question of the licensure of immigrant professionals is treated in Section III.5.3 below.

III.4 Post Entry Education

This section deals with the existence of specialty designations, post-graduate education, and professional development programmes as well as re-certification provisions for members of the professional bodies.

III.4.1 Specialty Designations: Post Graduate Education

None of the professional bodies actively grants specialty designations at this time. There is, of course de facto specialization among some members. Members of the I.C.A.O. in public practice will, for example, often specialize in such areas as: taxation, management advisory services, and bankruptcy administration (Trustee in Bankruptcy). In addition, the American Institute of Certified Public Accountants, (AICPA) has done studies on the merits of designating professionals in particular **specialty** areas. The topic of specialization

THE INSTITUTE OF CHARTERED ACCOUNTANTS OF ONTARIO

Table III.10

Summary of Registrations
Students Educated Outside Canada
1963 - 1975

<u>Year</u>	<u>No. considered</u>	<u>Not eligible</u>	<u>Eligible</u>	<u>No. registered</u>	<u>Discont- inued</u>	<u>No. still reg. as students</u>	<u>Now CA's</u>
1963/64	68	20	48	22	16	-	6
1964/65	86	26	60	32	21	1	10
1965/66	83	27	56	32	23	1	8
1966/67	121	15	106	50	38	2	10
1967/68	134	14	120	42	19	4	19
1968/69	105	23	102	59	26	6	27
1969/70	113	8	105	57	25	8	24
1970/71	111	7	104	50	23	11	16
1971/72	84	1	83	36	13	12	11
1972	49	14	35	17	1	9	7
1973	60	11	49	32	3	23	6
1974	63	5	58	30	3	25	2
1975	62	1	61	29	-	29	-
TOTAL	1,139	152	987	488*	211	131	146

* see analysis in Table III.10a

INSTITUTE OF CHARTERED ACCOUNTANTS:

Table III.10a.

Analysis of Students
Educated Outside Canada
by Country
1963 - 1975

<u>Country</u>	<u>Total registered</u>	<u>On course</u>	<u>Discontinued</u>	<u>CA</u>
Australia	7	1	4	2
Austria	2	1	-	1
Brazil	2	1	1	
Burma	1	-	1	
Ceylon	1	-	1	
China	3	1	2	
Czechoslovakia	3	1	2	
Denmark	1	-	1	
Egypt	14	1	11	2
Eire	25	8	6	11
England	60	9	19	32
Germany	7	-	4	3
Greece	4	1	3	
Guyana	1	-	-	1
Holland	3	-	1	2
Hong Kong	10	3	3	4
Hungary	4	2	-	2
Iceland	1	-	1	
India	29	6	18	5
Indonesia	2	-	2	
Iran	1	-	1	
Iraq	1	-	1	
Israel	5	3	2	
Italy	4	1	3	
Korea	1	-	1	
Lebanon	1	-	1	
Lithuania	1	1	-	
Malaya	1	-	-	1
New Zealand	1	-	-	1
Northern Ireland	4	-	3	1
Pakistan	50	11	27	12
Philippines	11	3	7	1

<u>Country</u>	<u>Total registered</u>	<u>On course</u>	<u>Discontinued</u>	<u>CA</u>
Poland	2	-	1	1
Rhodesia	2	1	-	1
Rumania	4	1	3	
Russia	3	1	2	
Scotland	21	3	12	6
South Africa	6	2	-	4
Sweden	1	-	-	1
Switzerland	1	-	-	1
Syria	1	-	-	1
U.S.	178	67	62	49
West Indies	7	2	4	1
Yugoslavia	1	-	1	
<hr/>				
TOTAL	488	131	211	146
<hr/>				

has been the subject of lively discussion.⁴⁸

Accountants have resisted the adoption of specialty designations for what appear to be two primary reasons:

1. That any specialty or hyphenated designation would reduce the value of the basic training and certification that all members must have; and,
2. That by writing an examination in a specialized area, on a single occasion, a member does not necessarily demonstrate that he is a qualified specialist in that field.

In the area of post-graduate education in accounting, the following situation applies. Individuals who seek post-graduate qualifications such as Ph.D. degree in accounting, are of course free to undertake such studies. The professional associations, however, with one exception, have not attempted to develop formal post-graduate or post-certificate education programmes for their members. The one exception is the (then) Society of Industrial Accountants which asked for and received enabling legislation in 1971 to allow it to grant an F.S.I.A. designation. This designation was to be given to individuals completing an advanced studies programme in financial management with elective subjects aimed at those in the private and public sectors. The designation was designed to recognize satisfactory completion of the advanced programme. The programme has not yet been developed, however.

III.4.2 Professional Development Programmes

All three professional associations provide a variety of educational materials for the continuing professional development of their members.⁴⁹ The nature of these programmes varies but at present, all are on a voluntary basis. The I.C.A.O. and the S.M.A.O. offer specific professional development courses. C.G.A.'s are advised and

encouraged to enrol in new undergraduate courses as they are introduced, particularly those in computers, taxation, the behavioural sciences and business policy. In many cases, the professional development activities occur on the chapter level and in conjunction with annual conferences.

The question of compulsory professional development has received considerable attention lately. A special committee on professional development undertook a lengthy study of the subject and reported to the C.I.C.A. Board of Governors in June, 1975. The report included seven major recommendations, the key ones being:

- (a) That, commencing on January 1, 1978, the provincial Institutes implement continuing professional development requirements for all members except those specifically exempted in these proposals.
 - (b) That the basic requirement should consist of the accumulation in each three year period following qualification or following implementation of the programme of 200 units of credit, consisting of:
 - (i) a minimum of 100 units of credit in the core area of accounting;
 - (ii) the remaining 100 units of credit at the option of the member in accredited subject areas.
 - (c) That, in addition to the above basic requirement, members engaged in public accounting be required to accumulate an additional 100 units of credit and that they be in the core areas of auditing and taxation, including a minimum of twenty units of credit in each area.
- *****
- (g) That the first measurement period should commence on January 1, 1978 and that each member should report to his provincial Institute showing evidence of satisfactory completion of requirements before the first day of its fiscal year commencing in 1981, with renewal of membership to be contingent on such evidence of satisfactory completion of requirements.

The other recommendations of the report deal with exemptions for members not engaged in public accounting, older and retired members,

and special cases. It was further recommended that exempt members be provided with continuing professional development guidelines but that compliance with the guidelines be voluntary.

The Council of the I.C.A.O. rejected the recommendations of the Special Committee. The Council considered the proposal for compelled maintenance from two directions:

1. As a means of satisfying some need;
2. As a philosophical concept - that members of a profession should keep up-to-date.

The Council made the following comment:

"On the question of need, we concluded that compelling members (under the pain of expulsion) to maintain current technical knowledge could only be justified if there were demonstratable evidence of widespread failure to maintain technical competence, to the detriment of the public and professionl. In the absence of the sort of evidence, it could be said that the C.I.C.A. report proposes an excessive solution to a problem which, at most, is likely to be of modest proportions

Philosophically, it is not difficult to agree with the position that it is desirable in a professional person that he maintains his technical knowledge at a current level throughout his professional life. It does not follow, however, that all professionals should be compelled to maintain knowledge through some arbitrary programmes; nor does it necessarily follow that any programme of compulsory professional development courses will accomplish the desirable objective of ensuring that individuals maintain current technical knowledge.

In place of the Special Committee's recommendations, the Council put forward its own four point programme. The key provisions of this programme are:

1. Encouragement to members to undertake professional development on a voluntary basis.
2. Monitoring of the extent to which members undertake individual professional development programmes, through the medium of voluntary annual reporting.
3. Compulsory public practice review or random inspection of practising offices to determine competence.

4. A refresher programme - probably in the form of specified professional development courses - for a member who has been absent from full-time public accountancy practice for a prolonged period before being licensed.

The Council of the Society of Management Accountants of Ontario is on record as approving in principle compulsory professional up-dating. However, programmes, procedures and monitoring of up-dating still involve many unresolved problems. As a result, the S.M.A. is moving to put into place a programme of voluntary up-dating. They hope that diligent study and review of such a programme will help to solve existing problems.

The C.G.A.A.O. has also looked at compulsory professional development. In their 1975-76 Annual Report, under the heading "Maintenance of Standards," the Association stated:

Since 1974, the Committee has been working toward the goal of 'implementing a programme for the maintenance of professional competence'. This year the goal was reached with the introduction of the Voluntary Reporting System in April 1976. The System will be in operation for a three year trial period.

The Voluntary Reporting System will allow members to report each year on their involvement in both the Continuing Education and/or Professional Participation areas.

Continuing Education will include courses and/or seminars covering such topics as Accounting and Auditing, Mathematics, Law, Data Processing and Taxation. Professional Participation includes involvement in both C.G.A. and other professional bodies. Offices held in professional organizations, lectures and speeches given, seminar leadership, and articles written and published, will all be recognized.

The Committee considered Professional Practical Experience as a third possible component of the Maintenance of Standards Programme. The Committee felt, however, that recognition of a member's career achievement could not be uniformly evaluated or measured. It was also questionable whether we should impose a maintenance of standards programme on a small number of our members who, by their outstanding personal achievement, have brought honour and benefit to both the Association and the profession. It may be necessary to devise an exemption system to include these members.

As in the introduction of any new programme, the members must fully understand what is being presented to them. Next year the Committee, together with members of the Board of Governors, hope to stage informative regional meetings on the principles and details of the Maintenance of Standards Programme.

III.4.3 Re-Certification Provisions

Apart from the developments mentioned above, the only re-certification requirements in existence at this time are those arising from re-admission to membership of individuals who have either left or been suspended. The Discipline Committee of the I.C.A.O. has in some instances required that members suspended for disciplinary reasons attend "refresher" professional development courses and/or pass the Institute's auditing examination as a condition precedent to reinstatement.

The S.M.A.O.'s By-law 12(d) states that:

- (d) Any applicant for re-admittance to membership in the Society as a registered member shall also pass an examination to satisfy Council of his familiarity with current accounting practice and related subjects unless on good and sufficient grounds Council should exempt him therefrom.

The C.G.A.A.O.'s by-laws do not make explicit reference to re-certification or re-examination as a condition for re-instatement of membership.

III.5 Licensing for Public Accountants

III.5.1 Definition of Public Accountant

The Public Accountancy Act R.S.O. 1970, ch 373, paragraph 1 (c)

states that:

"'Public Accountant' means a person who either alone or in partnership engages for reward in public practice involving,

- (i) the performance of services which include causing to be prepared, signed, delivered or issued, any financial, accounting or related statement, or

- (ii) the issue of any written opinion, report or certificate concerning any such statement,

where, by reason of the circumstances or of the signature, stationery or wording employed, it is indicated that such person or partnership acts or purports to act in relation to such statement, opinion, report or certificate as an independent accountant or auditor or as a person or partnership having or purporting to have expert knowledge in accounting or auditing matters, but does not include a person who engages only in bookkeeping or cost accounting or in the installation of bookkeeping, business or cost systems or who performs accounting or auditing functions exclusively in respect of,

- (iii) any public authority or any commission, committee or emanation thereof, including a Crown Company,
- (iv) any bank, loan or trust company;
- (v) any transportation company incorporated by act of the Parliament of Canada; or,
- (vi) any other publicly owned or publicly controlled public utility organization;"

III.5.2 Qualifications for Licence

Qualifications for licence are stated in Section 14 of the Act.

14 (1). Any person, on application to the Council in the prescribed manner and upon payment of the prescribed fee, is entitled to be licensed under this Act if the Council is satisfied that the applicant is of good character, and,

- (a) that he is a member of the qualifying body (the Institute of Chartered Accountants of Ontario); or,
- (b) that he was at any time licensed under this Act or a predecessor of this Act; or,
- (c) that he is a member of the Certified General Accountants Association of Ontario,
 - (i) who has taken a course of instruction and passed the final examinations of that Association, and
 - (ii) who has had at least three years of experience in public accountancy in Ontario, and,

- (iii) who was on the first day of April, 1962, a member or a student of that Association.

14(2) The Council may, in special circumstances and subject to subsections 2 and 3 of Section 9, either unconditionally or subject to such conditions as it may think fit, exempt any person from one or more conditions set forth in subsection 1.

14(3) The Council may by regulation prescribe the terms and conditions upon which any licensee of a state or province other than Ontario may be exempted from one or more of the conditions set forth in subsection 1, but no such regulation shall be made, amended or repealed unless approved by the votes of at least two-thirds of the members of the Council present and voting thereon.

Section 14(1) is quite explicit on the qualifications required for a public accountant's licence. However, Sections 14(2) and 14(3) have been the focus of considerable dispute.

In a submission to the Attorney General of Ontario in 1976, the C.G.A.A.O. made the following statement about the Public Accountant's Council's actions on Section 14(2) applications:

On the surface, the Council's public attitude has been patently reasonable. In its Report for 1970-71, the Council published the following report of its Applications Committee:

"Your Committee held a meeting during the year for the purpose of dealing with the matter of 'special circumstances' under sub-section 2 of section 14 of the Act. In this regard, the committee considered the underlisted points:

- (a) That the first responsibility of Council is to administer the provisions of the Public Accountancy Act.
- (b) That the intent of the legislators was to define, as clearly as possible, the qualifications for licensing but to make provision, as is customary in new legislation, for special circumstances which could not be foreseen but might arise; and
- (c) That in attempting a definition of 'special circumstances' it would be impossible to anticipate all such circumstances and such a definition might influence or restrict the judgement of a future Council.

Your Committee therefore recommended that Council should not attempt to define the meaning of 'special circumstances' but consider each application on its own merits."

Our investigation of the Council's approach to exercising its discretionary powers under section 14(2) indicates a consistent approach to applications from C.G.A.'s who were not students or members of the Association on April 1, 1962, and who were not, therefore, covered by section 14(1) (c) of the Act.

In the eight-year period 1966 to 1974, the Council granted licenses to nine C.G.A.'s who made application under the special circumstances provision of section 14(2). In all cases, the applicants were C.G.A. members or students on April 1, 1962 and most were asking for special consideration for exemption from the three-year practical experience requirement:

- (a) In four cases, the applicants were auditors with the Auditor General's Office, which is an acceptable training ground for C.A. students. In fact, therefore, no special consideration was granted in these cases.
- (b) In another case, a member applied for special consideration of the fact that his three years practical experience had been gained after April 1, 1962. He did not realize that the 1962 date specified in the Act did not apply to the practical experience requirement. He was, therefore, entitled to a license under section 14(1) (c) and need not have applied under section 14(2).
- (c) In three cases where applicants were short of the three-year practical experience requirement, two of the applicants had a number of years of experience as auditors with government departments. Interestingly, in all three cases the applicants had at least two and one-half years of practical experience in public accounting firms when it was possible for a C.A. to be licensed with only two years of experience.
- (d) In the ninth case, a license was granted to an applicant who had been a student of the Association immediately before and immediately after April 1, 1962 but who had been omitted, on a technicality, from the prepared list of C.G.A. students at April 1, 1962.

During the same eight-year period, applications under section 14(2) by thirty-eight other C.G.A.'s were denied by the Council. It is evident to us that the Council has chosen not to exercise discretion. In recent years, many C.G.A.'s qualified in public practice have not even applied, because they have been told by employees of the Public Accountants Council that only Chartered Accountants can be licensed.⁵⁰

Table III.11 below, outlines the P.A.C.'s actions under Section 14(2) of the Act for the period 1967 to 1973.⁵¹

TABLE III.11

Applications under Section 14(2)
of The Public Accountancy Act

<u>Year</u>	<u>Applications</u>	<u>Denied</u>	<u>Accepted</u>
1972-73	14	14	0
1971-72	19	17	2
1970-71	14	10	4
1969-70	18	17	1
1968-69	22	20	2
1967-68	12	11	1

III.5.3 Licensing of Immigrant Professionals

Accountants immigrating to Ontario who wish to be licensed as public accountants must meet the qualifications for licence under Sections 14(1) and 14(2) of The Public Accountancy Act. No regulation has been passed under Section 14(3) of the Public Accountancy Act, which empowers the P.A.C. to make regulations regarding exemptions for immigrant professionals. In practice, this means that they would have to become members of the qualifying body, the I.C.A.O.. The I.C.A.O.'s membership requirements for immigrating accountants are covered in Section III.3.2 of this Report.

III.5.4 Licensing of Non-Resident Professionals

Section 14(3) of The Public Accountancy Act permits the P.A.C. to prescribe the terms and conditions under which non-residents may be allowed to practise public accounting. The Council has passed Regulation 6 dealing with non-residents. Regulation 6 states that:

- (1) A non-resident of Ontario desiring to practise as a public accountant within Ontario without a licence shall file with the registrar an application in the prescribed form. If the applicant is of good repute and conducts an established accounting practice outside Ontario and desires to practise within Ontario in the course of occasional short visits in Ontario, and if none of the jurisdictions in which he carries on his practice outside of Ontario withhold similar privileges from licensees under the Act, Council may permit him to practise without a licence to the extent aforesaid, for such period and subject to such obligations for renewal as Council may set out in the permit, and subject to the power of Council to revoke summarily such permission. In the case of non-resident members of a firm which desires to practise public accountancy within Ontario under this regulation, a permit issued under this regulation to one member of such firm shall extend to all non-resident members thereof, upon registration of their names with Council.
- (2) A practising public accountant who is a non-resident of Ontario may practise as a public accountant within Ontario without a licence under the act if he is a member of a partnership maintaining an office in Ontario, which office is actively directed by at least one member of such partnership residing in Ontario and holding a licence under the Act, provided the jurisdiction in which such practitioner resides does not withhold similar privileges to licensees under the Act and subject always to the power of Council to revoke summarily this permission by notice to a partner resident in Ontario.

III.5.5 Requirements for Re-Licensing

Section 16 of The Public Accountancy Act deals with renewal of licence:

"Any person who is licensed under this Act and who applies to the Council in the prescribed manner and pays the prescribed fee is entitled to have his licence renewed, but nothing in this section prejudices or affects the power of the Council to revoke any licence in accordance with this Act."

Section 20(2) of the Act deals with licence renewal after revocation:

"A person whose licence has been revoked may, either on his application or on motion of the Council and after enquiry, be granted a new licence and his name may be restored to the roll at the discretion of the Council either without payment of a fee or on payment of such fee as the Council may determine."

IV CODES OF ETHICS AND DISCIPLINARY PROCEDURE

IV.1 Codes of Ethics

Codes of ethics and/or rules of professional conduct have been formalized by the statutory body, the qualifying body and the voluntary associations of accountants. These rules are, for the most part, hortatory in nature and do not make explicit distinctions among professional misconduct, incompetence, and malpractice. For example, the rules of professional conduct for members of the I.C.A.O. are divided into 4 sections:

- General matters
- Standards of conduct affecting the public interest
- Relations with fellow members and with non-members public accountants
- Organization and conduct of a professional practice

These rules in turn are based on a number of principles:

1. A member or student shall conduct himself at all times in a manner which will maintain the good reputation of the profession and its ability to serve the public interest.
2. A member or student shall perform his professional services with integrity and care and accept an obligation to sustain his professional competence by keeping himself informed of, and complying with, developments in professional standards.
3. A member who is engaged to express an opinion on financial statements shall hold himself free of any influence, interest or relationship, in respect of his client's affairs, which impairs his professional judgement or objectivity or which, in the view of a reasonable observer, has that effect.
4. A member or student has a duty of confidence in respect of the affairs of any client and shall not disclose, without proper cause, any information obtained in the course of his duties, nor shall he in any way exploit such information to his advantage.
5. The development of a member's practice shall be founded upon a reputation for professional excellence, and the use of methods commonly characterized as self-promotion or solicitation is not in keeping with this principle.
6. A member shall act in relation to any other member with the courtesy and consideration due between professional colleagues and which, in turn, he would wish to be accorded by the other member.

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The members of the I.C.A.O. approved completely revised rules of professional conduct on June 11, 1973. These are the rules currently in force.

The first section of the rules dealing with general matters, specifies in Rule 102 that:

Any member or student who has been convicted of any criminal or similar offence may be charged with professional misconduct by the Professional Conduct Committee;

The second section dealing with standards of conduct affecting the public interest reiterates in more detailed form the principles of conduct listed above as well as referring in Rules 214 through 216 to fees (See Section V.1). The third section of the rules relates basically to matters of professional courtesy between practitioners. The fourth and final section of the rules, relating to the organization and conduct of a professional practice, regulates the structure and form of firms, and the practice of certain "related functions" which may be carried on in corporate or unincorporated form. These may be seen as "housekeeping rules", but they have an underlying concern related to the public interest.

As an adjunct to the rules of professional conduct the I.C.A.O. Council issues "Council Interpretations" which give guidance where this is thought to be desirable, on particular points related to the rules. 53

The Certified General Accountants Association of Ontario has a published Code of Ethics and Rules of Professional Conduct, issued by the Board of Governors in May, 1975. The introduction to this document states that:

This national Code of Ethics provides uniform rules and principles of professional conduct by which members of each provincial association will govern themselves in discharging their duties and responsibilities.

Any Ontario member who contravenes any of these Rules and/or Principles shall be accountable to the Board of Governors of

the Certified General Accountants Association of Ontario.

A Certified General Accountant shall always be mindful of his responsibility as a member of the accounting profession and shall carry on his work with fidelity to clients or employers, fairness to employees, and loyalty to the Association, in a manner worthy of a professional accountant.

The C.G.A.A.O.'s rules cover the following areas: duties to the public; confidential information; duties to the profession; duties to the Association; duties to member; and duties of members in public practice.

The code of ethics presently in force for R.I.A.'s was issued in January, 1973 and contains four sections. The first, a general section on professional ethics, details the professional attitude expected of management accountants. The second lists the rules of professional conduct under the broad categories of Responsibility, Commitment, and Competence. The third section deals with guideline for the enforcement of the code of professional ethics and the final section deals with opinions and interpretations.

IV.2 The Public Accountancy Act

The Public Accountancy Act provides the Public Accountants Council with the powers to regulate the conduct of licensees under the Act. Section 18(1) of the Act states that:

"If a person licensed under this Act,

- (a) has been convicted of a criminal offence;
- (b) becomes of unsound mind;
- (c) has been adjudged bankrupt or has made arrangement with his creditors; or

- (d) has been found on enquiry held by the Council to be guilty of conduct disgraceful to him in his capacity as a public accountant, the Council may, subject to the provisions of this section, revoke his license.

Since Section 7 of The Public Accountancy Act vests the Council with the responsibility for the maintenance and improvement of the status and standards of professional qualifications of public accountants practising as such in Ontario, the Council has prescribed rules of professional conduct which are aimed, first and foremost, at the protection of the public and secondly at achieving orderly and courteous conduct between licensees. Without restricting the generality of Section 18(1) (d) of The Public Accountancy Act, the Council, in considering whether or not a person licensed under The Public Accountancy Act has been guilty of conduct disgraceful to him in his capacity as a public accountant, is guided by the rules of professional conduct.⁵⁴ These rules comprise three sections dealing with (1) integrity and competence, (2) relationships with others, and (3) advertising. In large measure, the rules dealing with integrity and competence follow closely those issued by the I.C.A.O.. This similarity reflects the common interest of the statutory body and the qualifying body.

In addition to its powers over the conduct of licensees, the Council is also empowered by the Act to prosecute individuals under the following sections of the Act.

- Section 22 - Obtaining license by false representation
- Section 23 (1) - Failure to surrender license
- Section 23 (2) - Abuse of license
- Section 24 (1) - Use of title or carrying on business of a public accountant by a non-licensee
- Section 25 (1) - Carrying on the business of a public accountant in corporate form.

Upon summary conviction, an individual or a body corporate is liable to fines of differing amounts.

IV.3 Disciplinary Procedures

IV.3.1 Public Accountants Council

Figure IV.1 charts the disciplinary procedure of the Public Accountants Council. As can be seen from the Figure, the procedure varies according to the section of the Act that has been violated. It also varies with the seriousness of the offence that has been committed. Table IV.1 shows the incidence of complaints to the Council against licensees and non-licensees. Only a small percentage of the complaints are not resolved by letter or informal means. In discussion with the Registrar of the Council, it was stated that most complaints are resolved by letter and that the formal disciplinary procedures involving hearings are reserved only for the purposeful transgressor. However, the number of complaints shown in Table IV.1 reflect only written and properly documented complaints to the Council. No record is maintained of complaints that have not been documented in this way.

Three groups within the Public Accountants Council are involved in the disciplinary procedure. The Registrar is responsible for collecting evidence, assuring that complaints are properly documented, laying charges and acting as informant to the court under Sections 23, 24 and 25 of the Act. The Enforcement Committee consisting of a Chairman and four members considers complaints under Section 18(d),

P.A.C. DISCIPLINARY
PROCEDURE

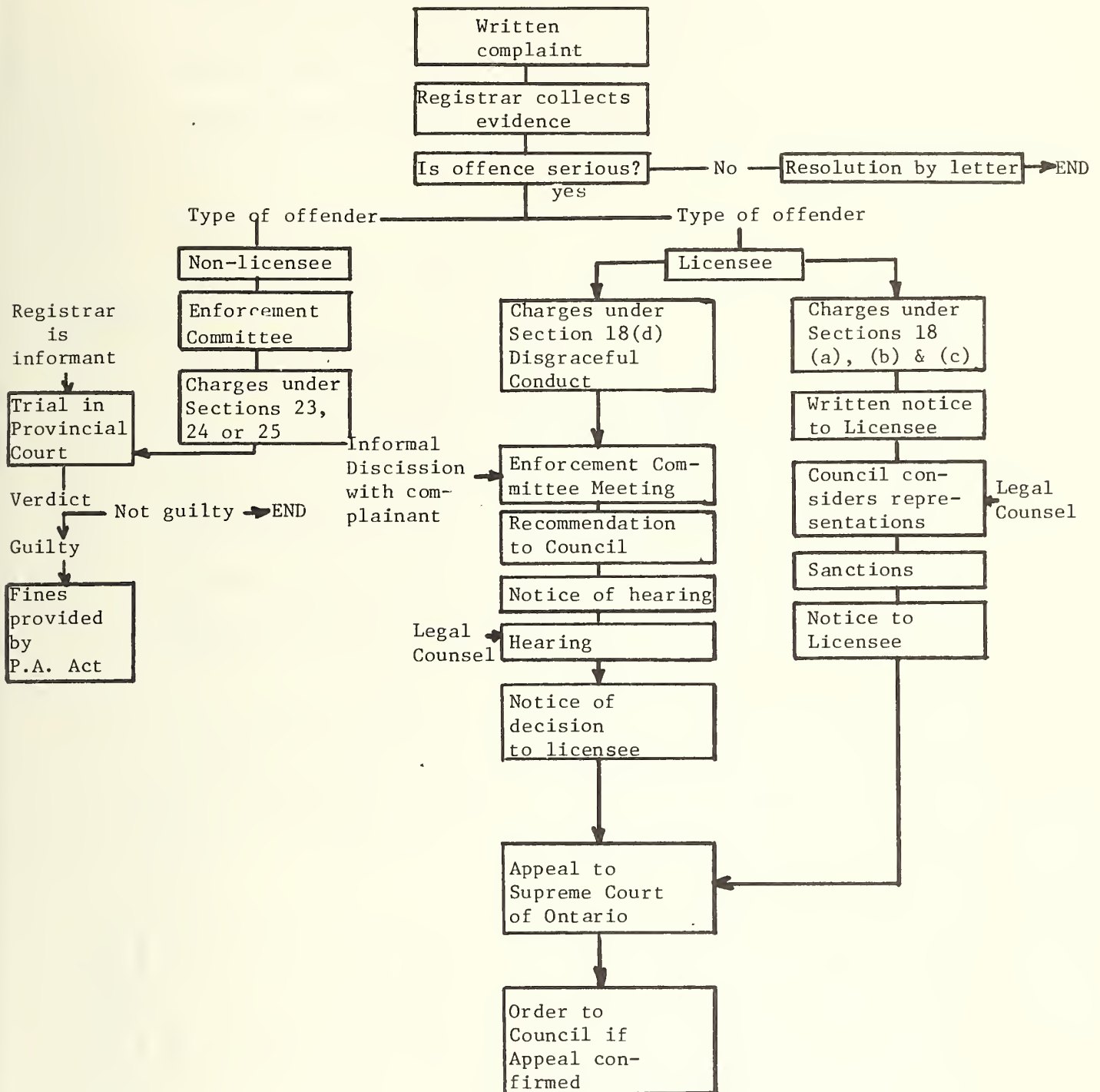


TABLE IV.1
Public Accountants Council:
Incidence and Disposition
of Complaints, 1964-1976

Year	NON-LIC. CASES					LIC. CASES					
	Complaints	Charged	Acquitted	Penalized	Pending	Complaints	Charged	Acquitted	Reprimanded	Licence Revoked	Pending
May 1, 1964 - April 30, 1965	46	3	-	1	2	25	1	-	-	1	-
1965 - 1966	32	2	-	2	-	9	2	1	-	1	-
1966 - 1967	38	1	-	1	-	18	1	-	1	-	-
1967 - 1968	20	4	-	4	-	16	3	-	-	3	-
1968 - 1969	15	1	-	1	-	11	6	2	1	3	-
1969 - 1970	18	N/A	N/A	N/A	N/A	12	4	1	-	3	-
1970 - 1971	32	2	-	1	1	10	7	-	2	1	4
1971 - 1972	20	4	-	4	-	8	4	-	-	3	1
1972 - 1973	33	1	-	1	-	7	5	-	-	2	3
1973 - 1974	26	3	1	2	-	13	3	2	-	1	-
1974 - 1975	34	2*	-	-	1	5	2	-	1	-	1
1975 - 1976	38	-	-	1***	4	10	3**	-	1	-	1

* Summons not served in one case

** Licence surrendered in one case

*** From previous year

the disgraceful conduct section of the Act. The Committee can meet with the complainant and occasionally also with the accused before making recommendations to Council concerning a hearing. Finally, the full council holds hearings, in the presence of legal counsel, to determine what sanctions should be prescribed under Sections 18(a), (b), (c) and (d) of the Act.

For the complaints listed under Section 18(1) the following procedure applies:

18(2) Where the Council intends to revoke any licence in pursuance of clause (a), (b) or (c) of subsection 1, the Council shall first cause a written notice of its intention to be served on such person in the prescribed manner and shall on application made by such person within one month from the date of the service of the notice consider any representations with regard to the matter that may be made by him to the Council, whether in person or by Counsel.

18(3) In any case in which it appears to the Council that a person licensed under this Act has been guilty of conduct disgraceful to him in his capacity as a public accountant, the Council may cause an enquiry to be held.

18(4) Where an inquiry is to be held under this section, the Council shall forthwith cause to be served on the person concerned a written notice of the proposed enquiry specifying the time and place at which it is to be held and the subject matter thereof, and the person concerned is on application entitled to be heard at the enquiry either in person or by counsel.

The disciplinary procedure as presently constituted under the Act is not without its problems. The major problem is the absence of choice in the sanctions that can be imposed on individuals found guilty under Section 18(1). As the Act is presently written licence revocation is the only sanction available. The Legislative Committee of the Public Accountants Council in their review of the Act has recommended that lesser sanctions such as suspension be available to the Council.⁵⁵

Another problem lies in the dual disciplinary procedures of the Council and the qualifying body. A member of the I.C.A.O. may be suspended or expelled by that Association and yet still retain his licence to practise as a public accountant. The number of cases in which this has occurred is six (two expelled, four suspended).

Section 21 of the Act provides for an appeal process in cases where the Council refuses to grant a licence, refuses to renew a licence, or revokes a licence. In the case of revocation, this section provides for an appeal by licensees who have been disciplined.

21. Where the Council (a) refuses to grant a licence or a new licence; (b) refuses to renew a licence; or (c) revokes a licence, the person aggrieved may, within 3 months from the day on which notice thereof was served on him, apply to the Supreme Court and, upon due cause shown, the Court may make an order directing the Council to grant the licence, as the case may be, or may make such other orders as may be warranted by the facts, and the Council shall forthwith comply with such order and such order is final.

Mr. Meredith Fleming, Counsel to the P.A.C. indicated that only one recent case had been appealed. In that case the court ordered the Council to suspend for two years rather than revoke a licence. No appeals under Section 21 have occurred in the last five years.

Section 23 of the Act states:

23.—(1) If any person ceases to be licensed under this Act, he shall, within fourteen days thereafter, transmit his licence to the Council for cancellation, and, if he fails to do so, he is guilty of an offence and on summary conviction is liable to a fine of not less than \$10 and not more than \$25, and to a further fine of not less than \$3 and not more than \$5 for every day on which the offence continues after conviction.

(2) Any person who,

- (a) uses a licence issued under this Act to another person; or
- (b) allows a licence issued to him under this Act to be used by any other person; or
- (c) not being licensed under this Act, uses or has in his possession any document purporting to be a licence issued to him under this Act,

is guilty of an offence and on summary conviction is liable to a fine of not less than \$50 and not more than \$100 and, in the case of a continuing offence, to a further fine of not less than \$15 and not more than \$25 for every day on which the offence continues after conviction. R.S.O. 1970, c. 373, s. 23.

The Registrar of the P.A.C. has stated that to his knowledge, there had been no abuse and no convictions under Section 23 and that he could remember only one case in which the licence had been lost and could not be transmitted to the Council for cancellation.

Section 24 of the Act states:

24.—(1) Subject to the provisions of this section, no person who is not licensed under this Act shall, within Ontario,

- (a) take or use the name or title of "Public Accountant";
- (b) practise as a public accountant; or
- (c) hold himself out as being licensed as a public accountant or use any designation or initials indicating or implying that he is licensed as a public accountant.

(2) Notwithstanding anything in this section, the Council may permit any person who is a non-resident of Ontario to practise as a public accountant within Ontario without a licence under this Act, subject to any terms and conditions that may from time to time be prescribed.

(3) Any person who contravenes provision of this section, without prejudice to any other proceedings that may be taken, is guilty of an offence and on summary conviction is liable to a fine of not less than \$100 and not more than \$250 for a first offence and to a fine of not less than \$200 and not more than \$500 for any subsequent offence.

(4) Where a contravention of this section by any person is occasioned by the fact that his licence has been revoked, it is a good defence to any proceedings in respect of such contravention to prove that, at the time when such contravention is alleged to have been committed, notice of the revocation had not been served in accordance with this Act or the regulations hereunder, or that the time for appealing from the revocation had not expired or an appeal therefrom had been brought and had not been determined. R.S.O. 1970, c. 373, s. 24.

The majority of actions against non-licensees are taken under this section of the Act. Under normal procedure, non-licensees who fail to heed warnings from the Council are charged in Provincial Court. Although anyone can lay charges, in practice the Council takes the action through its Enforcement Committee. There is a six month limit

on evidence. The Registrar is responsible for acting as informant to the Court in the case. The case is prosecuted by the Crown although the P.C.A.'s counsel, has on occasion acted as prosecutor.

Individuals found guilty under this section are fined the prescribed amounts. Appeals of the Court's decision can be made to the County Court and from there to the Court of Appeal.

Section 25 of the Act states:

25.—(1) It is not lawful for a body corporate to practise as a public accountant and any body corporate that contravenes the provisions of this subsection, without prejudice to any other proceedings that may be taken, is guilty of an offence and on summary conviction is liable to a fine of not less than \$100 and not more than \$250 for a first offence and to a fine of not less than \$200 and not more than \$500 for any subsequent offence.

(2) If a body corporate is guilty of an offence under subsection 1, every director or officer of the body corporate who consented to, or connived at or was responsible for the commission of the offence shall be deemed to be a party to and guilty of the offence and is liable to be proceeded against and fined accordingly.
R.S.O. 1970, c. 373, s. 25.

The Registrar stated that there have been no recent cases under this Section. The last case that he could recall involved a corporation that had advertised its public accounting capabilities and services in its annual report. The P.A.C. charged the corporation but did not obtain a conviction because the mere offering of services by a corporation does not constitute a breach of Section 25.

IV.3.2 I.C.A.O.

The I.C.A.O.'s disciplinary procedure is schematically shown in Figure IV.2. The number of suspensions and expulsions of I.C.A.O.

I.C.A.O.

DISCIPLINARY PROCEDURE

Type of complaint

Institute has no legal jurisdiction over fee disputes

Fees

Fees mediation service

Professional competence or conduct

Written complaint from clients, Institute staff, other members

Review by staff to see if additional is required. Request written authority from Complainant to send copy of complaint to party complained about

Referred to Chairman of Professional Conduct Committee or Sub-committee for instructions

Yes

Would notice of complaint jeopardize Committee's investigation?

Investigate (usually a CA) appointed and authorized to make investigation

No

Is complaint serious?

Yes

To full Professional Conduct Committee with recommendation for action or for discussion and decision

No

To Subcommittee or Chairman for decision

To full Committee for ratification

Informal Admonition

End

Charges of professional misconduct laid

Legal Counsel

Formal hearings by Discipline Committee under provisions of by-law and The Statutory Powers Procedures Act

EXPULSION

Individual can no longer use designation C.A.

SUSPENSION

Temporary expulsion

REPRIMAND

On member's file

ADMONISHMENT

Not on file

Requirement to complete professional courses or examinations

Appeal Committee of Council

Appeal to Council

Suspension and expulsion only

members for the years 1970 to 1977 are as follows:

<u>Year</u>	<u>Suspensions*</u>	<u>Expulsions</u>
1970 - 1971	2	1
1971 - 1972	1	3
1972 - 1973	2	-
1973 - 1974	2	2
1974 - 1975	2	1
1975 - 1976	1	1
1976 - 1977	3	2

* Suspended during year and not reinstated at year end

The by-laws which cover the procedure for dealing with complaints respecting professional conduct or competence, whether those complaints originate with clients, Institute staff or other members, are By-laws 76-90 inclusive.⁵⁶ The Institute staff operating in the ethics area comprises a director-ethics, assistant director-ethics (both C.A.'s) an administrative assistant and a stenographer, together with part-time C.A. assistance in the function of acting as secretary to the discipline committee.

The professional conduct committee, the first level, of investigation, has the services of an experienced practising lawyer in an advisory capacity; this lawyer also presents the committee's cases to the discipline committee. The discipline committee and any other level of trial body is advised by the Institute's solicitor, who is at arm's length from the lawyer acting for the professional conduct committee; the Institute's solicitor advises on legal procedure and sits with the trial body throughout the formal hearing.

The disciplinary proceedings of the Institute are conducted under the provisions of the Statutory Powers Procedure Act, (S.O. 1971, C. 47). The relevant Institute by-laws have been reviewed and approved by the Statutory Powers Rules Committee (Ministry of the Attorney General) and changes, from time to time, are submitted to that committee for approval before coming into effect.

Institute staff dealing with ethical matters are available to interview any person who wishes to complain about the actions of any member, firm or student, whether by telephone or in the I.C.A.O. offices. By-law 71(1)(a) provides, however, that any complaint must be in writing before it can be formally dealt with. Written complaints, when received, are first reviewed by staff to see if any additional information or documentation is required before the complaint is considered by the professional conduct committee. It is also normal practice to request written authority, from the complainant, to send a copy of the complaint to the party complained about, so that any comment or explanation which that party cares to make can be put before the committee when it considers the matter.⁵⁷

If, in the opinion of staff, notification of the complaint to the party complained of would jeopardize the committee's investigation, the matter is referred to either the chairman of the committee, or to a sub-committee, for instructions. In such cases, an investigator (usually a C.A.) may be appointed by the committee with authority to make any necessary investigation.

In most cases, however, the file on the complaint (the original complaint, any additional information and any comment or explanation of the person complained about), is provided to a sub-committee of the

professional conduct committee or, in more serious cases, to the full committee. Minor matters may be dealt with by sub-committees, or by the chairman, and decisions reported to the full committee for ratification. If a matter is considered to be a serious breach of a rule, it is referred to the full committee either with a recommendation respecting action to be taken, or for discussion and decision by the committee.

The professional conduct committee, which is responsible for the investigation of all complaints, examines each file carefully, assesses the information in the light of the rules of professional conduct and decides upon the disposition of the file. It has the power to admonish informally; it may also lay charges for breaches of the rules for transmittal to the discipline committee. The duties and powers of the professional conduct committee are set out in By-laws 55 and 77 to 79 (inclusive). The numbers of cases dealt with by the committee are summarized in the Report of Committee Chairmen found in the supplement to the Annual Reports of the I.C.A.O.

Where charges of professional misconduct are laid by the professional conduct committee, there is a formal hearing by the discipline committee under the provisions of the by-laws and The Statutory Powers Procedure Act.

The discipline committee is appointed by the Council under By-law 52(d) and is required to conduct formal public hearings of all charges brought before it. The sanctions which are available to the committee are provided in By-law 80 (4) and (6), and include the power to suspend or expel from membership. By-law 81 requires the committee to give notice of orders of suspension or expulsion and it empowers it to give further or other notice of its orders at discretion. There is appeal

from findings and orders of the discipline committee to an appeal committee of Council and, in cases of suspension or expulsion, a final appeal to Council (appeal committee members being disqualified if they have sat on the earlier appeal).

The effect of the sanction imposed in a particular case varies according to the orders made. Expulsion deprives a member of his membership in the Institute and with it the right to use the professional designation "chartered accountant" and designatory initials "C.A.". Suspension has the same effect as expulsion except that it is for a limited period of time and comes to an end after expiry of the period and when any requirements imposed by the Committee have been met.

The sanction most frequently imposed collaterally to a suspension is the requirement to complete professional courses and/or examinations; this is a means of bringing a member who has failed to comply with the the professional standards of practice back to an acceptable level of performance. The subsequent performance of such a member may be monitored by the professional conduct committee.

A lesser sanction, such as a reprimand, may be employed by the discipline committee at its discretion and becomes a matter of record on the member's file. An informal sanction is that of admonishment; it can be administered by the disciplinary committee, but does not become a matter of record in the member's file. The actions of the discipline committee are summarized in the Report of Committee Chairmen.

The use of sanctions and the disciplinary process is intended: to remove members and students who are found unfit to be professional accountants; to redeem, if possible, those who have failed to maintain

professional standards to a less serious degree; and to educate other members by disseminating suitable publicity of actions taken.⁵⁸

Finally, it should be noted that the Institute has made changes in its by-laws to put its disciplinary procedure in line with The Statutory Powers Procedure Act.⁵⁹ One change provides for formal hearings to deal with applications for membership made by members of foreign accounting bodies and for suspension of membership because of bankruptcy or mental incompetency.⁶⁰ Council has changed these by-laws, with the advice of its legal counsel, to enable its appeal committee to conduct formal hearings, in these special cases, on behalf of Council so that the statutory requirements can be met.

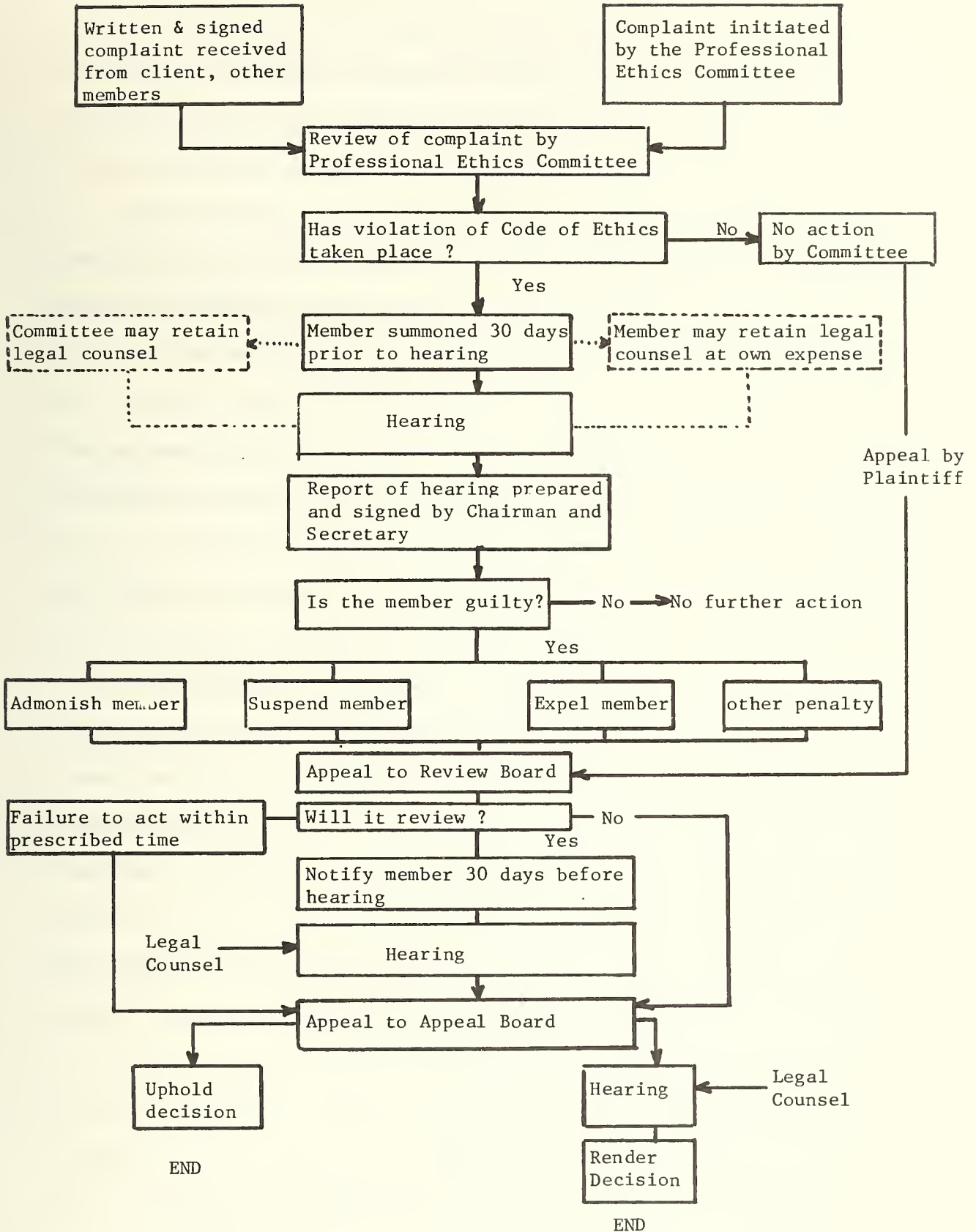
Another by-law change removes wording which purports to allow the discipline committee to take disciplinary action without a hearing where a student or member is convicted of fraud, or where the Public Accountants Council revokes a member's public accounting licence. The I.C.A.O. states that no action has ever been taken under this provision and that it is, in any case, of no effect, since The Statutory Powers Procedure Act requires a formal hearing in all disciplinary cases.

IV.3.3 C.G.A.A.O.

The disciplinary procedure of the C.G.A.A.O. is schematically described in Figure IV.3. Complaints against members of the Association may be received from clients, other members, or may be initiated by the Professional Ethics Committee, which is also empowered to determine whether there is a need for disciplinary action.

C.G.A.A.O.

DISCIPLINARY PROCEDURE



In the event that the Professional Ethics Committee concludes that a violation of the Code of Ethics has taken place, the Committee summons the member involved to appear at the Committee's next meeting. If the Committee fails to act upon a complaint, the plaintiff may present his complaint either to the Review Board or to the Appeal Board for consideration. The Review Board consists of the Executive Committee of the Ontario Association while the Appeal Board consists of the Board of Governors.

It is the responsibility of the Professional Ethics Committee to assemble the necessary evidence, documents and/or statements which are required to be presented at the hearing and to hear evidence of witnesses. The Committee is further empowered to summon any member and to request any books, documents and other related materials.

At the hearing of a complaint, the member charged, may at his own expense, be represented by legal counsel or any other person to question any witnesses present or to present evidence or arguments on behalf of the defendant. The Association bears the cost of a hearing other than legal costs. Findings of the Professional Ethics Committee are made by majority vote.

In the event that the finding is against the member charged, the Committee has available four different sanctions. These are:

1. Admonish the guilty member, or
2. Suspend the guilty member, or
3. Expel the guilty member, or
4. Impose such other penalty as the Committee sees fit.

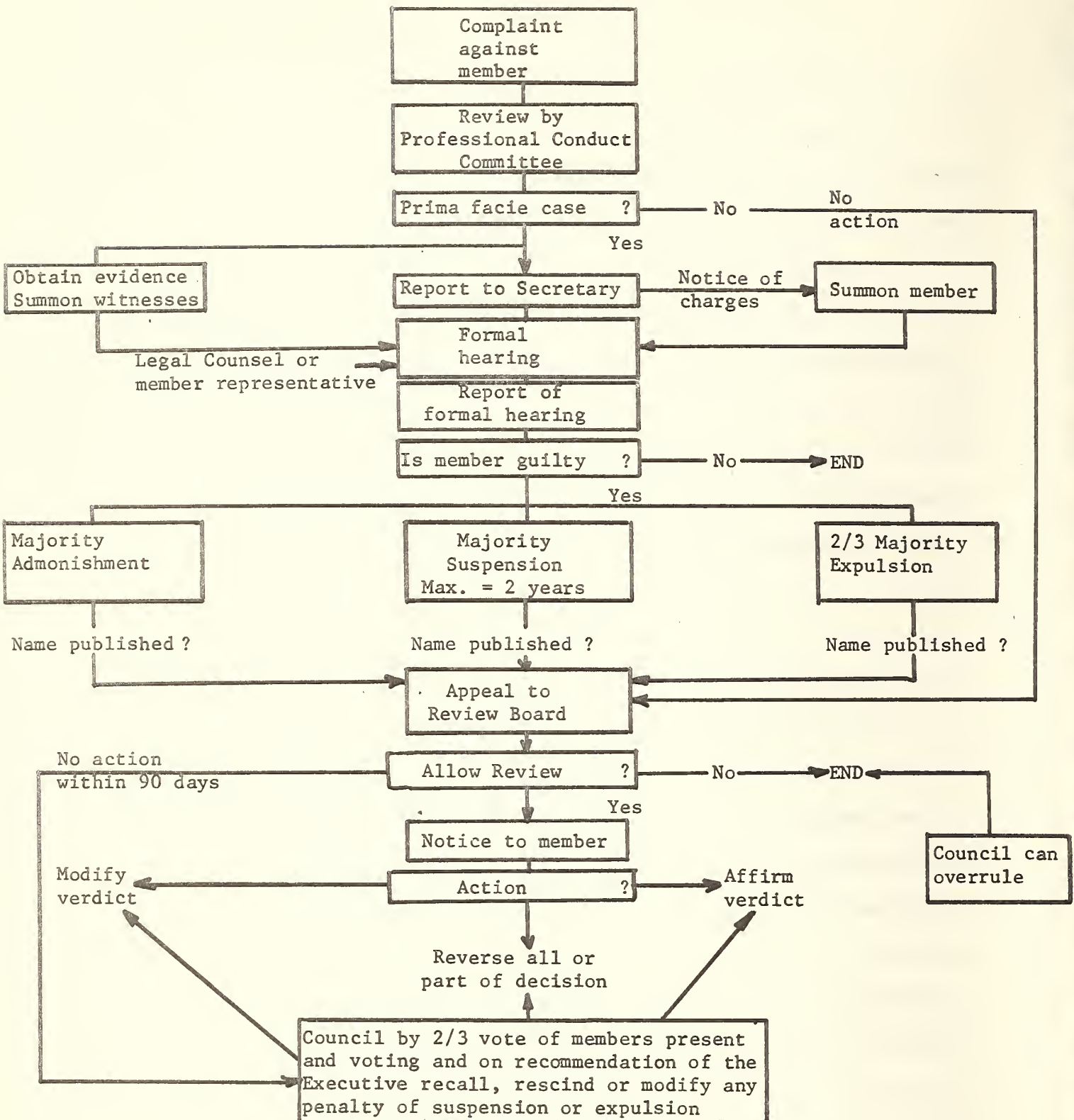
The effect of expulsion on a practising member would be to prevent his use of the C.G.A. designation and, of course, to deny him other advantages of C.G.A.A.O. membership such as participation on a group basis in a professional liability insurance plan.

Two levels of review are available to a member who has been found guilty. The first appeal is to the Review Board which must decide if it will review the case. If the Review Board does not decide to review the case or fails to act within the prescribed time the affected member may then appeal to the Appeal Board. The Appeal Board may either uphold the decision or hold a hearing, at which the member may be represented by legal counsel. The decision of the Appeal Board is final.

IV.3.4 S.M.A.O.

The disciplinary procedure of the Society of Management Accountants is described in Figure IV.4. Since only about 5% of the Ontario Society's members are in public practice, and since a number of these are dealing with clients in their capacity as Chartered Accountants (where they carry both designations), client complaints about the competence of Society members are very few. Complaints which do arise would be almost exclusively about those individuals performing industrial or cost accounting or consulting services under Section 34 of the Public Accountancy Act. The Society has indicated that a request to the Registrar of the Public Accountants Council showed that no complaints have been received regarding competence of any S.M.A.O. member performing services under Section 34. Any complaint, whether or not client initiated, is dealt with as a breach of the code of ethics and processed under the disciplinary procedures established by the Society.

DISCIPLINARY PROCEDURE



The Professional Conduct Committee is responsible for the initiation of the disciplinary work of the Society. It consists of a Chairman and four members all appointed by Council on the recommendation of the Executive. The Committee conducts an initial review of the complaint. If upon consideration of the complaint, it appears to the Committee that a prima facie case is established showing a violation of any by-law or any provision of the Code of Professional Ethics or conduct discreditable to a management accountant, the Professional Conduct Committee reports the case to the Secretary of the Society. The latter summons the member involved to appear before the Professional Conduct Committee. If the Professional Conduct Committee dismisses the complaint or fails to act within ninety days of the complaint, the member referring the complaint may present it in writing to the Review Board.

If a formal hearing is held, the Committee is responsible for assembling evidence, documents or authenticated statements as required and is empowered to hear evidence of witnesses and to receive additional evidence and statements in the course of the hearing. The individual charged has the right to be present during the hearing and to be represented by legal counsel or by another member. The Society bears the cost of any formal hearing.

If, after hearing the evidence presented by the complainant and by the defence, the Professional Conduct Committee finds the defendant guilty of an offence, it may, decide, by a majority vote of the members present and voting, to admonish or suspend for a period of not more than two years the member against whom the complaint is made, or, by a two-thirds vote of the members present and voting, to expel the member. As a further sanction, the Professional Conduct Committee can decide by a majority

vote whether the statement of the case and the published decision is to disclose the name of the member involved.

A member found guilty by the Professional Conduct Committee may appeal to the Review Board. The Review Board is appointed by Council on the recommendation of the Executive and consists of a Chairman and four members, none of whom are members of the Professional Conduct Committee. If the Review Board decides not to review the case, or takes no action within 90 days, the member may appeal to the Council of the Society. If the Review Board conducts a review, the member has a further right of appeal to the Council.

The Council by two-thirds vote of members present and voting and on the recommendation of the executive may recall, rescind, or modify any penalty or suspension or expulsion.

If the Ontario Society requests the resignation of a member, or has withdrawn from the Register of the Society the name of any member for reasons of unprofessional conduct, the Secretary of the Society must inform the Secretary of the Canadian Society of the name of the member and the reason for the action taken. The Secretary of the Canadian Society then transmits this information to the Secretary of each provincial Society. The Ontario Society also agrees to honour the disciplinary actions of all other Societies with which it is affiliated.

V BUSINESS ISSUES OF PROFESSIONAL PRACTICE AND RELATIONSHIP TO REGULATORY STRUCTURE

V.1 Remuneration

V.1.1 Public Practitioners

Unlike the practice followed in certain other professions, the practice of public accounting has not lent itself to the development

of fee schedules. Charges for services by public accountants are not covered under The Public Accountancy Act, and the Regulations and Rules of Professional Conduct issued by the Public Accountants Council for the Province of Ontario mentions fees only in relation to the integrity and competence of the licensee. Section (h) of the Rules states that:

A licensee in the exercise of his functions on behalf of a client should not bargain for, or receive for his own use any fee or remuneration without his client's knowledge and consent.⁶¹

The voluntary associations stated, with respect to remuneration and fee schedules that:

1. The Institute does not set any fee schedule or tariff of fees. Members are completely free to establish their own rates for their services and are fully subject to competition in all functions that they normally perform in public practice; this includes competition with other licensees, whether C.A.'s or not, in the licensed functions."⁶²
2. The rules of professional conduct cover matters such as fee splitting and contingent fees. Beyond that, the C.G.A. Association does not attempt to establish fee schedules, or to establish maximum and minimum fees for service. The nature of services offered in a public accounting practice do not lend themselves to categorization by fee schedules."⁶³
3. The S.I.A. is in no way involved in any fee schedules, nor is it aware what few members who may be serving clients are charging for their services."⁶⁴

Notwithstanding the absence of fee schedules, the professional associations have incorporated fees-related clauses in their rules of professional conduct. This is especially true for the I.C.A.O. and the C.G.A.A.O.

The I.C.A.O.'s Rules of Professional Conduct deal with fees related matters in Section 300 entitled "Relations With Fellow Members and With Non-Members Engaged in Public Accounting". Rule 301 states that:

"A member engaged in the practice of public accounting shall not directly or indirectly solicit professional engagements which

have been entrusted to another public accountant; without limiting the generality of the foregoing, a member shall not seek to secure such an engagement by representing that he is able to carry out the engagement at a lower fee than that of the other public accountant. (emphasis added)

Rules 305.1 and 305.2 are also indirectly applicable to professional remuneration. The Council's interpretations (C.I. 301-Professional Appointments) are germane to the questions of information provided the client as to volume and price of service and the freedom of choice of the client. The Interpretations state that fundamental assumptions underlying the engagement or withdrawal from a professional appointment are that:

1. The client is, and must be, free to have his work performed by the practitioner of his choice;
2. The fee for professional services cannot be measured until full information is available about the assignment;

Under the section on selection of professional advisors, the Interpretations make note of the following:

5. The potential client will wish to discuss with the member the services that he is in a position to offer and to obtain some indication of the cost of such services. There is no objection to the member supplying such information. In doing so, however, there are certain things that must be borne in mind.
6. A member must avoid giving any indication that he has exclusive knowledge or abilities which are not available from other members of the profession. The member is, however, entitled to give factual information as to his organization and as to the skills available within his organization.
7. Normally, professional fees are based on the time required to perform the services undertaken. There is no objection to a member stating what his per diem rates are, based on his standard rates for all clients. A member discussing a new assignment is not in a position to quote a fee or fee range however, until he has been assured that the client has decided to dispense with the services of the incumbent accountant and has an opportunity to become fully familiar with the problems which he may encounter in carrying out the

assignment, since otherwise he will not know how many days will be required to carry out his professional responsibilities. This is one reason why the Rules of Conduct provide that a member shall not seek to secure an engagement by representing that he can perform professional services for a lower fee than another public accountant and why responding to calls for tenders is prohibited.⁶⁵

Another section of the Rules of Professional Conduct in which fee issues are relevant are those related to the independence of the public accountant covered under Section 200, Standards of Conduct Affecting the Public Interest. Rule 204 states that:

A member who is engaged to express an opinion on financial statements shall hold himself free of any influence, interest or relationship, in respect of his client's affairs, which impairs his professional judgement or objectivity or which, in the view of a reasonable observer, has that effect.

The interpretations that elaborate on Rule 204 (C.I. 204) deal with the issue of commissions and finders fees in paragraphs 16, 17 and 18. In general, these paragraphs prohibit C.A.'s from accepting fees or commissions which would in any way call into question the objectivity of the public practitioner.

The C.G.A.A.O.'s Code of Ethics and Rules of Professional Conduct cover fees under Section 800. The Rules relevant to fee setting are listed below:

A member practising public accounting:

- 801. Shall establish a fee structure for services rendered.⁶⁶
- 803. Shall not, when acting on behalf of a client or employer, bargain for or receive for his own use, any fee, remuneration or benefit from a third party without his client's or employers knowledge or consent.
- 805. Shall not directly or indirectly accept a commission as fee for work turned over to another person. This section does not pertain to the sale of an accounting business to another accountant's firm.
- 806. Shall not profess that he does any professional service without charging a fee. The provision of services to a

charitable organization or other similar non-profit organization without fee does not contravene this section.

807. Shall endeavour by all means at his disposal to eliminate the practice of competitive bidding for professional engagements.

The remainder of this section deals with the role of professional organizations with respect to some special issues of the fee setting process.

1. Fee Splitting/Referrals

The I.C.A.O.'s position on fee splitting and referrals is stated in Rule 216 which prohibits the public accountant from paying a commission or other compensation to a non-public accountant in order to obtain a client or from receiving from a non-public accountant a commission or other compensation for a referral to a client of products or services of others. Council Interpretation 405 states that:

Any arrangement made by practicing members with an organization offering tax services to the public, which result in a franchise or referral scheme whereby that organization benefits from supplying clients to a practitioner, would be objectionable as a form of indirect solicitation.

The C.G.A.A.O. Code of Ethics and Rules of Professional Conduct No.'s 804 and 805 cover fee sharing and commissions and prohibit the public practitioner from either sharing his fees or accepting a commission.

2. Contingent Fees

Both the I.C.A.O. (Rule 215) and the C.G.A.A.O. (Rule 802) prohibit the public practitioner from offering his professional services for a fee which is contingent upon the result of such services.

3. Special Means of Collection

The I.C.A.O. has stated:

In the past, the question of an accountant's lien has not been a well defined one. A recent English case - in the English Court of Appeal [Wordworth v. Conroy (1976) 1 All E.R. 107] appears to be the first judicial recognition of an accountant's lien.⁶⁷

A further statement on this case is found in the I.C.A.O.'s publication Checkmark (Volume 15, No. 4, April 1976). Quoting from the article:

The right of accountants to claim a lien was a matter of doubt until a recent decision of the English Court of Appeal. This case holds that an accountant is entitled, in special circumstances, to a lien for unpaid fees over client's documents. This decision appears to be the first judicial recognition of an accountant's lien - indeed the Court remarked that the researches of counsel had revealed no prior cases recognizing such a right.

4. Fee Review

Only the I.C.A.O. has an operating fee review programme. The Fees Mediation Service is provided for both chartered accountants and clients as a means for reaching agreement on a dispute over fees. The service is described in the I.C.A.O. Members' Handbook, pages 7-06 and 7-07. The procedure used by the I.C.A.O. is described in the first section. In order for a fees dispute to be handled by the service, it must be brought to the attention of the Institute and both parties must agree in writing to be bound by the decision of the mediation panel. No charge is made for such referrals. It is stated that:

It is understood that this procedure involves no legal obligation on the part of clients or members to refer a matter to the fees mediation panel nor does it constitute a submission under The Arbitrations Act (Ontario). All materials received or reviewed by the Institute or its representative will be held in strict confidence. The Institute shall be under no legal obligation with regard to any such referrals.

The 1976 Annual Report of Committee Chairman of the I.C.A.O.

had this to say about the Fees Mediation Service:

The Institute received a number of enquiries relating to fee disputes during the year. In each of these cases, the enquirer was made aware of the availability of the Mediation Service, but recommendations were made that further communication and negotiation with the other party be undertaken first. To date, none of these enquiries have resulted in a mediation, although it appears that several of the more recent one's will require our service for resolution.

The Committee goes on to recommend that practising chartered accountants should seek to avoid fee disputes with their clients by using letters of engagement prior to the commencement of each engagement and by timely communication with their clients on all problem areas encountered during the course of the engagement.

V.2 Advertising

Advertising by accountants in public practice is strictly controlled by the Public Accountants Council and the various voluntary associations. Section 7 of The Public Accountancy Act vests the PAC with the responsibility for the maintenance and improvement of the status and standards of professional qualifications for public accountants practising as such in Ontario. To this end, the PAC has, "prescribed rules of professional conduct which are aimed, first and foremost, at the protection of the public and secondly to achieving orderly and courteous conduct between licensees".⁶⁸ Sections (q) through (v) inclusive of the Rules of Professional Conduct identify the forms of advertising permissible for public accountants.

Specifically:

(q) A licensee should not practise as a public accountant under a non-personal name, and in particular, a licensee should not use the words 'accounting service', 'tax service' 'systems' or 'consultants' in the name under which he is practising as a public accountant.

(r) A licensee should not adopt any method of obtaining or attracting clients which tends to bring disrepute on the profession.

(s) A licensee should not, in his advertising or on his professional card or stationery, include any description of his occupation other than public accountant or, where applicable, 'trustee in bankruptcy'. Furthermore, he should not publicly associate his public accountancy practice with any other business or profession.

(t) A licensee should not solicit business by advertising other than by publication, in an issue of a public advertising medium, of his or his firm's professional card. Such a card should include his firm name or names and may also include:

(i) the names of the public accountants associated with him in his public accountancy practice.

(ii) the business, telegraph and telephone addresses of his firm and its members.

(iii) where applicable - 'Trustee in Bankruptcy'

(iv) announcement of any change in address or change in partners.

(u) In particular and without restricting the generality of

(t) above, a licensee should not solicit business by circular, impersonal correspondence or general solicitation by telephone nor prefix on his professional card or stationery, the word 'licensed' to his occupation of 'public accountant', since all public accountants practising and resident in Ontario must be licensed.

(v) A licensee may permit to be inserted, under the heading 'Accountant - Public' or a similar heading in the advertising section (Yellow Pages) of a telephone directory, only a listing of his name, firm name, profession, address and telephone number all without any border or means of emphasis. Bold face type should be used only in the alphabetical listings (White Pages).

The PAC, inconsidering whether or not a person licensed under the Act has been guilty of conduct disgraceful to him in his capacity as a public accountant, has regard to these Rules of Professional Conduct.

For a description of the procedures followed and sanctions applied against individuals contravening the advertising section of the Rules of Professional Conduct see Section IV.

The I.C.A.O. has extensive provisions in its Rules of Professional Conduct covering advertising by members in public practice. Its views on advertising are most broadly stated in the forward to the Rules which states:

It would not be in the public interest, for example, that the selection of a practitioner by a client was a function of the skill of the practitioner's advertising agency and the size of his advertising budget; nor that a practitioner could, publicly, claim for himself professional skills, exceeding those of similarly qualified practitioners, in a purely subjective fashion and without let, hindrance or reasonable constraint; 69

Rule 217 (page 5-12) provides for the Council of the I.C.A.O. to deal, through an interpretation, with the matter of advertising by members engaged in public accountancy practice. Rule 217 states that:

Except to the extent permitted in any interpretations adopted and published by the Council from time to time interpreting the intent or meaning of this Rule, a member engaged in the practice of public accounting shall not advertise.

The Council's interpretations of Rule 217 found on pages 6-15 through 6-27 inclusive of the same document set out at length the specifics of permissible publicity and advertising for I.C.A.O. members. The interpretations cover the following topics:

1. General Policy
2. Letterheads
3. Name Plates

4. Professional Cards and Announcements
5. Business or Calling Cards
6. Telephone directories
7. Co-operative Advertising
8. Advertising for Staff
9. Publication of Articles
10. Speeches
11. Comments to the Press
12. Radio and Television Appearances
13. Use of Photographs and Biographies
14. Certificates Used by Clients in Advertising
15. Recruitment Brochures
16. Distribution of Tax Circulars, News Letters and Firm Literature on Special Subjects
17. Brochures Describing Related Functions
18. Use of Public Relations Counsel/Recruitment Agencies

The Rules regarding publicity by members of the C.G.A.A.O. are set out in the Code of Ethics and Rules of Professional Conduct Rule 901 through 904 inclusive. Rule 901 procribes the identification of any functional capacity or specialization in the accounting profession which is common to all C.G.A.'s . Rule 902 sets out the format of the professional card. Rule 903 proscribes the use of circulars for members in public practice. Rule 904 covers advertising by stating that:

A member shall solicit business in public practice only through advertising accessible to all C.G.A.'s by inserting the contents of his professional card, or that of his firm, in a public medium. A member shall not specify in his advertising, his hours of professional service.

Members of the Society of Management Accountants (R.I.A.'s) engaging in public practice as accountants for a small proportion (about 5 percent) of the Society's membership. A substantial number of those who are engaged as public practitioners also hold designation as C.A.'s and hence are governed by the Rules of Conduct of those Associations. As a result, rules of conduct dealing with advertising have not been made explicit by the Society. However, the Society has indicated the following:

The Society counsels its members to designate themselves and to advertise services to the public only as permitted by Section 34 of the Public Accountancy Act. Whenever a complaint is received by the Public Accountants Council and it gets referred to the Society, members are advised to cease any advertising which seems contrary to the Act. We are unaware of instances where members have ignored our advice.⁷⁰

Section 34 of The Public Accountancy Act referred to above is the saving provision that permits members of the S.M.A.O. or other persons to practise as industrial accountants, cost accountants or cost consultants and to designate themselves as such.

V.3 Structure and Form of Firms

Section 25 of The Public Accountancy Act prohibits a body corporate from carrying on business as a public accountant. Section 25 states:

25 (1) It is not lawful for a body corporate to practice as a public accountant and any body corporate that contravenes the provisions of this sub-section, without prejudice to any other proceedings that may be taken, is guilty of an offence and on summary conviction is liable to a fine of not less than \$100 and not more than \$250 for a first offence, and to a fine of not less than \$200 and not more than \$500 for an subsequent offence.

25 (2) If a body corporate is guilty of an offence under sub-section 1, every director or officer of the body corporate who consented to, or connived at, or was responsible for the commission of the offence shall be deemed to be a party to and guilty of the offence and is liable to be proceeded against and fined accordingly.

The I.C.A.O.'s rules on the organization and conduct of a professional practice are set out on pages 5-14 to 5-18 of the Member's Handbook. Section 400 - 'Organization and Conduct of a Professional Practice' and the sub-sections thereunder cover rules relating to incorporation, association with related functions, ownership rules, partnership rules, and residence requirements, as well as rules relating to the name of the practice, and the professional qualifications of the other partners in the practice. Specifically, Section 407 states that:

A member shall not be associated in any way with any corporation engaged in Canada in the practice of public accounting except that a member may associate with a professional corporation engaged in the practice of public accounting in a province other than Ontario if such corporation is recognized and approved for such practice by the provincial institute in the province concerned.

On the subject of incorporation, the I.C.A.O. stated that:

While The Public Accountancy Act presently contained specific provision against incorporation, the Institute's position is that there is no inherent objection to incorporation of a professional practice.⁷¹

In December of 1970, a Special Committee of the I.C.A.O. under the Chairmanship of J.R.M. Wilson, studied the related issues of incorporation and professional liability. The Committee's report made no specific recommendations on the subject of incorporation but noted in its summary that "many (members) have concluded that it would be

desirable to carry on practice in corporate form with a view to providing some financial protection to the practitioners in the event of serious damage suits."⁷² Counsel to the Committee, Mr. Alastair Patterson, Q.C., in a lengthy statement on professional liability and the public accountant that reviews in detail the legal question of professional liability as well as the similarities and dissimilarities of legal practice in Canada and the United States notes that "a professional man cannot achieve protection against his personal negligence merely because he carries on his practice through a limited company." (See Section IV.5 on Professional Liability.) Finally, the Special Committee noted that:

The experience of the Institute with management consulting firms and companies licensed to practice as trustees in bankruptcy and the experience of the engineering profession where incorporation is in general use, would suggest that there should be no more difficulty in obtaining compliance with the Rules of Professional Conduct for members who are associated with a body corporate as compared with those who are in practice either as sole practitioners or in partnership."

The Certified General Accountants Association's Code of Ethics and Rules of Professional Conduct do not deal explicitly with the question of incorporation. However, Rules 701 through 710 outline the duties of members in public practice and cover such areas as responsibility and control, firm name, identification, representation of a firm, etc..

V.4 Mixed Practice

Only the I.C.A.O.'s Rules of Professional Conduct deal explicitly with questions of mixed practice. The rules are written from the perspective of the member and whether:

- a) related functions are practised concurrently with public accounting. (Rules 408 and 409).
- b) related functions are practised exclusively (Rule 410).

The rules make a further distinction between related functions practised concurrently as a department or part of a public accounting practice and those practised concurrently through a separate organization.

The related functions approved by the I.C.A.O. for concurrent practice are:

- a) management consulting
- b) trustee in bankruptcy
- c) electronic data processing
- d) other functions as designated

However, no restrictions are imposed on associating with other professionals (e.g., lawyers, economists, etc.) in the performance of the related functions. Typically, in management consulting, professionals in various fields practise concurrently.

The aim of the I.C.A.O.'s regulations on mixed practice is to ensure that in cases where the related functions are performed in association with public accounting, the Institute's rules of professional conduct apply. Thus, clause 409.1 (m) states that:

(m) for the purpose of this rule the term "identity of ownership" means that the persons who, as proprietors, partners, directors, officers or shareholders, exclusively own and manage any such business or practice are the same persons as exclusively own and manage any related public accounting practice.

and Rule 409.2 and 409.3 require that:

Before commencing an assignment in any of the related functions from a client of another public accountant who is the duly appointed auditor, a member engaged in the practice of public accounting who is associated with a firm or corporation carrying on a business or practice in any of the related functions shall first notify, or shall ensure that the associated firm or corporation first notifies, such accountant of the assignment.

A member engaged in the practice of public accounting who is associated with a firm or corporation carrying on a business or practice in one or more of the related functions, either as principal, partner, director, officer or shareholder, shall be responsible to the Institute for any failure of such firm or corporation to abide by the rules of professional conduct of the Institute as if such firm or corporation were a member engaged in the practice of public accounting.

V.5 Professional Liability and Insurance

In December, 1970, a special committee on Professional Incorporation and Professional Liability reported to the Council of the I.C.A.O.. The committee's conclusions on professional incorporation are covered in Section V.3. On professional liability, the committee made the following statements:

The most usual claims which may be made against a public accountant, not necessarily in the order of their size of importance, include:

1. Auditing deficiencies as a result of which
 - (a) defalcations were not detected;
 - (b) overstatement of assets or understatement of liabilities were not discovered.
2. Failing to ensure the proper accounting principles have been applied, as a result of which
 - (a) improper balance sheet or income statements were issued;
 - (b) inadequate disclosure of information or inadequate supplementary information by way of footnote, failed to make the statement clear, where he has not qualified or disclaimed an opinion.
3. The advice which was given was wrong. (e.g., in taxes or management consulting.)
4. Failing to file returns or report information known to the auditor.

Many cases have arisen out of the attest function performed by public accountants, but accountants' liability is by no means limited to this area of practice. Tax practice, management consulting, accounting services, and trustee practice all involve areas where the public may properly expect a certain standard of performance and competence and when this is not forthcoming, a client may take action against his public accountant to recover damages which he claims he has suffered from his accountants negligence.⁷³

The Committee noted that public accountants are being increasingly required to defend their work, and that increasingly large amounts of damages are being claimed against them, particularly in the United States. The report of the Committee, includes a summary by its counsel of the law regarding professional liability for accountants, laying out the basic principles as well as the differences between the U.S. and Canada.

The Committee made a number of recommendations in the area of professional liability but while urging members to consider the advantages of the professional liability group insurance plan, did not recommend compulsory insurance for all practising accountants.

Liability insurance is available to practising accountants from a number of sources. The I.C.A.O. offers a group coverage plan which is available in amounts ranging from \$50,000 to \$1,000,000 for both individual members and firms. The plan is underwritten by Lloyd's of London and marketed through Lloyd's broker, J.H. Minet and Company (Canada) Limited.

The I.C.A.O. has never found it necessary to organize a compensation fund, and has no knowledge of the actual premiums being charged to its members and firms. It has, however, stated that:

It is believed, however, that the experience of insurers has tended to inflate premiums charged in Canada, since the North American market is rated as a whole rather than a separate rate being established for each country.⁷⁴

Members of the C.G.A.A.O., about 12 percent of whose members also are engaged in public practice, makes non-compulsory group liability insurance available through a Vancouver, British Columbia firm. Again, no information is available on premiums or claims through this insurer.

There is also a highly specialized form of insurance available only in multi-million dollar policies and designed for the larger accounting firms. It is underwritten by Lloyd's of London and is available to both Canadian and U.S. firms through the Montreal office of J.H. Minet (Canada) Limited. In addition, other insurers (including Lloyd's make liability insurance available on an individual basis arranged through insurance agents. At the level of the multi-million

dollar policy, insurance has continued to be available, but only at rapidly increasing costs and higher deductible amounts in respect of each claim, a phenomenon which reflects the number of very large claims against accountants in the United States.

FOOTNOTES

1. For the definition of public accounting, see Section 0.2.1.
2. In 1977, the name of this organization was changed from The Society of Industrial Accountants to The Society of Management Accountants. The R.I.A. designation was retained.
3. Many of the Society's Registered members are also C.A.'s and this group does do public accounting.
4. An Act to Incorporate the Institute of Accountants of Ontario, S.O. 1882-3, c.62.
5. H.P. Edwards, F.C.A., "Three Socre Years", The Canadian Chartered Accountant, (February 1940).
6. An Act to Incorporate the General Accountants Association, S.C. 1913, c.116.
7. An Act to Incorporate the Association of Accountants and Auditors in Ontario. S.O. 1926, c.124.
8. Letters Patent Incorporating the International Accountants and Executives Corp. of Canada, March, 1947.
9. The Public Accountancy Act. R.S.O. 1950. C.302.
10. C.G.A.A.O. submission to the P.O.C., July 1976.
11. The Ontario C.G.A.'s had surrendered their Letters Patent in 1949 in anticipation of a merger with the Certified Public Accountants.
12. C.G.A.A.O. submission to the P.O.C., July 1976.
13. Ibid., p.15.
14. C.G.A.A.O. Petition to the Government of Ontario concerning The Public Accountancy Act. December 1974
15. Note: The S.I.A.O. was not a party to the C.G.A. brief and indicated that it saw no reason to be named as a qualifying body while the terms of reference for the Public Accountants' Act were as they interpreted them.
16. See Government of Ontario, Royal Commission on the Inquiry into Civil Rights, Report, No. 1, Vol. 3, Section 4, "Self-Governing Professions and Occupations," (Ontario: Queen's Printer, 1968).
17. See The Learning Society - Report of the Commission on Post-Secondary Education in Ontario, VII, 266, (Ontario: Queen's Printer, 1972).

18. C.G.A.A.O. op.cit., p. 49.
19. P.A.C. Comments by the Public Accountants' Council on the Petition of the C.G.A.A.O. to the Government of Ontario.
20. P.A.C. A Report of the Elected Members of the P.A.C. with Respect to the Petition of the C.G.A.A.O.
21. P.A.C. op.cit., n. 20.
22. C.G.A.A.O. A Brief to the Attorney-General of Ontario to Complement the C.G.A. Association's Petition for Changes in The Public Accountancy Act, March 1976.
23. Information supplied by the Public Accountants Council.
24. Comments by the Public Accountants' Council on the Petition of the C.G.A.A.O. to the Government of Ontario. December, 1975.
25. A Report of the Elected Members of the P.A.C. with respect to the Petition of the C.G.A.A.O.. December 1975.
26. Note that a small number of A.P.A.'s (approximately 27) are not licensed. These individuals were members of the I.A.P.A. prior to the change requiring all members to be licensees.
27. The Public Accountancy Act. R.S.O. 1970, c. 373, s.9(2).
28. For additional information on I.C.A.O. Committees, see the I.C.A.O. Committee List Booklet, 1975-76.
29. See "Collective Bargaining by Chartered Accountants" in the C.I.C.A. Handbook, pg. 73.
30. The Society of Industrial Accountants underwent a change of name in 1977 and is now called the Society of Management Accountants.
31. For an elaboration of the functions of management accountants in business and government, see Section V.1 Work and Function of the Profession.
32. An Act to Incorporate the Society of Industrial and Cost Accountants of Ontario 6th Session, S.O. 1941, c.77.
33. This designation was not changed when the Society's name was changed.
34. By-laws of the Society of Industrial Accountants of Ontario.
35. Twenty-five members of the I.A.P.A. do not hold public accounting licences. These individuals were members of the I.A.P.A. or predecessor groups prior to 1963 when licensed status became a prerequisite for membership. They work primarily in government.

36. Information supplied to the Professional Organizations Committee by the I.A.P.A.
37. See the booklet "Financial Management Programme of the S.M.A.O..
38. C.G.A.A.O. submission to the P.O.C., July 1976.
39. C.G.A. Ontario Calendar 1976-77.
40. Specifically, C.F. Gaviller, & A.G. Watson, "The 1970 Proposal, A Paper on the Proposed University Degree Requirements for Students Entering Training in the 1970 Course Year", (April 1967).
W.A. MacKintosh, Report to the Councils of the Provincial Institutes of Chartered Accountants in Canada", (March, 1967).
41. Details of this programme are contained in a brochure entitled "Co-operative Programme for Chartered Accountancy Students".
42. S.M.A.O. submission to the Professional Organizations Committee, July 1976.
43. See S.M.A.O. Student Bulletins - R.I.A. Exemption Policy
44. J.R. Hanna, Report to the Education Committee of the I.C.A.O.: Advanced Standing for R.I.A. and C.G.A. Graduates (Nov. 1972).
45. S.M.A.O. submission to the P.O.C. dated July 30, 1976.
46. I.C.A.O. Practice Approval Guide, Practical Experience Certification Form and Practice Approval Application.
47. S.M.A.O. submission to the Professional Organizations Committee, July, 1976.
48. See, for example, William Bradshaw, "A Firm Approach to Specialization" CA Magazine, March 1976.
49. In the case of the I.C.A.O., professional development courses are made available to all public accountants licensed in Ontario. The S.M.A.O. makes its courses available to members of the Institute of Internal Auditors, as well as its own members.
50. C.G.A.A.O. "A brief to the Attorney General of Ontario to complement the C.G.A. Association's petition for changes in the Public Accountancy Act," March, 1976, p. 5.
51. From a letter to S.V. Fram, Counsel, Policy Development Division, Ministry of the Attorney-General from the President of the P.A.C., December, 6, 1974.
52. I.C.A.O. Member's Handbook pages 5-04 and 5-05.
53. Ibid., pp. 6-01 to 6-34.

54. P.A.C. Regulations including Rules of Professional Conduct for Public Accountants in Ontario.
55. Draft of revised Public Accountancy Act, approved by The Public Accountants Council, September 23rd, 1977.
56. I.C.A.O. Member's Handbook pp. 3-13 to 3-24 inclusive.
Note: This section is taken verbatim with minor editorial changes from information supplied by the I.C.A.O. to the Professional Organizations Committee. (Letter from T. Merrilees, Executive Director, I.C.A.O., August 6, 1976 pp. 11.)
57. It is normal practice to identify the complainant to the person complained about.
58. End of verbatim transcript.
59. S.O. 1971, C. 47.
60. By-laws 12(c) and 16.
61. Public Accountant's Council, Regulations and Rules of Professional Conduct.
62. I.C.A.O. submission to Professional Organizations Committee, August 6, 1976.
63. C.G.A.A.O. submission to the P.O.C., July 1976.
64. S.M.A.O. submission to the P.O.C., July 1976.
65. I.C.A.O. Member's Handbook, pages 6-28 and 6-29.
66. The C.G.A.A.O. notes that by "fee structure" they mean a set of levels or hourly rates appropriate to different professional services, e.g. record keeping, tax preparation, etc.
67. I.C.A.O. submission to Professional Organizations Committee, August 6, 1976.
68. P.A.C. "Regulations including Rules of Professional Conduct for Public Accountants in Ontario" page 5.
69. I.C.A.O. Member's Handbook page 5-06.
70. S.M.A.O. submission to the P.O.C., July, 1976.
71. I.C.A.O. submission to the Professional Organizations Committee August 6, 1976.
72. I.C.A.O., Report of the Special Committee on Professional Incorporation and Professional Liability, December, 1970, Page ii.
73. I.C.A.O., Report of the Special Committee on Professional Incorporation and Professional Liability, Page 3.
74. I.C.A.O.

